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Industrial Development Board

Sixteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 November 1996, at 3 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the session	1 - 5
2	Adoption of the agenda	6
-	Statement by the Director-General	7 - 25
-	Organization of work	26 - 29
3	Annual report of the Director-General on the activities of the Organization in 1995, including progress report on specific activities	30 - 112
4	Implementation of the reform	

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The meeting was called to order at 3.30 p.m.

OPENING OF THE SESSION

1. **The PRESIDENT** declared open the sixteenth session of the Industrial Development Board.

2. There had been difficult and painful moments in the process of UNIDO reform, including the downsizing of the UNIDO Secretariat. It was now time to guide the future of the revitalized UNIDO, with the mandate of the industrialization of the developing countries.

3. He thanked all representatives who had attended the pre-sessional informal consultations and contributed to the production of composite texts of draft decisions for the Board.

4. The seventh regular session of the General Conference would be held in the coming year, and the Board would be discussing the medium-term programme framework, 1998-2001, including the 1998-1999 biennium, and the financial regulations to be submitted to the General Conference. The Board would also consider such substantial matters as the Second Industrial Development Decade for Africa (IDDA), the industrialization of the least developed countries (LDCs), investment promotion activities and field representation.

5. It was his sincere hope that the present session of the Board, being held in the week following UNIDO's thirtieth anniversary, would provide further constructive and future-oriented guidance for UNIDO.

ADOPTION OF THE AGENDA (IDB.16/1/Rev.1 and Corr.1)

6. *The provisional agenda (IDB.16/1/Rev.1 and Corr.1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

7. **Mr. DE MARIA Y CAMPOS** (Director-General) said that, in overall terms, he was pleased with the outcome of the session of the Programme and Budget Committee just concluded, but he greatly regretted its decision to depart from the principle of zero real growth regarding the ceiling for the 1998-1999 programme and budgets. That did not sufficiently acknowledge the immense savings achieved by UNIDO during its reform process, in administrative support costs, travel expenditures, buildings management and many other areas. He stressed that, as long as the financial regulations were not rendered more flexible, he did not have the authority to redeploy any savings made to strengthen substantive programmes.

8. The Annual Report of UNIDO for 1995 (IDB.16/10 and Add.1 and 2 and Corr.1) built on the substantially improved format of the 1994 Annual Report. It also met the new information requirements formulated at the sixth session of the General Conference and provided improved aggregate statistical and project-specific information on UNIDO's technical cooperation activities, as well as an elaboration of UNIDO's global forum role.

9. UNIDO's total technical cooperation delivery in 1995 had amounted to US$108.5 million, representing a 7 per cent increase on the 1994 delivery volume—a remarkable achievement in a year in which the Organization had gone through a major reform process. The leading role of African countries as recipients of UNIDO services had been further enhanced: their share in all projects had gone up to 42 per cent, following 39 per cent in 1994. The Annual Report also underlined progress in the development of UNIDO's new high-impact programmes and showed how UNIDO, in areas of high technical competence, was gradually developing more "upstream", normative services, such as industrial standards, indicators and benchmarks.

10. The progress report on UNIDO reform (IDB.16/18) was relatively brief and focused on a number of specific issues on which he had been requested to report. For example, it discussed new guidelines on the decentralization of project implementation, a new approach to economic cooperation among developing countries, personnel policy issues and the increasing involvement of the private sector in the work of UNIDO. He referred specifically to the first meeting, in October 1966, of UNIDO's new International Business Advisory Council, an informal body composed of leading industrialists from different regions, which was an important nucleus for future tangible and expanded cooperation with the private sector. The report provided information on action since April 1996 and should therefore not be seen as an overall account of the results of the reform, most of which had been covered in previous reports to the sixth session of the General Conference and the fifteenth session of the Board. He intended to prepare a comprehensive account of all reform achievements since 1995, with an assessment of their impact, for the 1997 session of the General Conference.

11. On becoming Director-General of UNIDO, he had put the Organization's reform on the agenda, and he was able to look back with a great deal of satisfaction and report that UNIDO would soon have completed its reform, despite the critical resource constraints imposed. The achievements would have been impossible without

the dedication and commitment of UNIDO staff at large and the unfailing support of the Member States.

12. The future role of UNIDO would be influenced by the overall reform of the United Nations system. UNIDO was ready to play an active role in the process and to take the lead in demonstrating how concrete cooperation, both at Headquarters level and at the country level, could improve the impact of industrial development programmes. A joint communiqué between UNIDO and UNCTAD had been signed in July 1996. The cooperation foreseen between the two organizations in the investment area had been highlighted in a recent joint statement of the Administrative Committee on Coordination on reform and strengthening of the United Nations system (see press release SG/SM/6106).

13. The successful reform of UNIDO had clearly shown: that agencies of the United Nations system could be reformed, under the guidance of their Member States, rapidly and comprehensively; that reform was facilitated if approached in a decentralized or "bottom-up" manner, rather than relying on "top-down" grand designs; and that, while some external advice might be essential as a catalyst of reform, the direct involvement and commitment of staff, and not only those in managerial positions, was critical.

14. UNIDO would not be complacent about the achievements made. It fully subscribed to the concept of continuous improvement and to the reality of a learning organization. It would be his foremost task to enhance the efficiency of UNIDO's operations further and to translate the "reform dividends" into a higher volume and better quality of services for recipient countries.

15. On the issue of UNIDO field representation, he was submitting a document (IDB.16/19) outlining a new approach based on the following elements: the key recommendations of a study undertaken in December 1994 by a team of external consultants; the sharply reduced resource base for field offices after the discontinuation of UNDP funding support from 1998; and the need to develop and implement a field representation system which was sustainable with the Organization's own resources, in conjunction with local cost-sharing arrangements.

16. The proposed approach would lead to the creation of a limited number of subregional field offices which would be adequately staffed and funded to serve the needs of a number of neighbouring countries. The approach should be introduced gradually to take full effect in the next biennium. It would be accompanied by further decentralization through post redeployment from Headquarters, delegation of authority to the field, a new incentive-based performance system and a clear definition of guidelines for field representation to ensure strengthened accountability.

17. In October 1996, he had signed new cooperation arrangements between UNDP and UNIDO at the country level with the UNDP Administrator. The new arrangements had been developed in recognition of changed execution and implementation modalities, their implications on the funding of UNIDO's technical cooperation programmes and the consequent importance of an active fund-raising role for the UNIDO Country Directors (UCDs). The UNDP resident representative had previously been the UNIDO representative in the country but the new arrangements meant that the UCDs would be the UNIDO representatives *vis-à-vis* Governments and other entities. Effective coordination and the use of common premises, wherever feasible and cost-effective, would ensure close linkages with the United Nations resident coordinators and the UNDP offices.

18. He was submitting a comprehensive report on the various elements of UNIDO's investment promotion programme, its current operation and its future orientation (IDB.16/11). It highlighted different dimensions of the programme and provided an insight into the main achievements, as well as presenting recent innovations in the investment programme, such as the expansion and diversification of Investment Promotion Service (IPS) offices and increased linkages with the private sector. Further information was provided by a conference room paper on the Investment Promotion Service (IDB.16/CRP.5), with detailed information on each office. The Organization needed feedback from Member States to assess the impact of UNIDO's investment programme, particularly at a time when traditional development assistance flows were declining.

19. The progress report on the programme for the least developed countries (IDB.16/13) showed that new approvals for technical cooperation programmes benefiting LDCs had increased significantly over the previous year. For the first time, 50 per cent of IDDA resources had been earmarked for African LDCs.

20. He had also submitted a brief document (IDB.16/16) on the Alliance for Africa's Industrialization, officially launched on 23 October 1996 by African Heads of State and Government and Ministers of Industry at Abidjan, Côte d'Ivoire. African States had endorsed the Alliance as an innovative approach to establishing new partnerships with a view to catalysing industrial development in Africa. The new partnerships related, firstly, to the national level to ensure the mobilization of local resources, savings and investments; secondly, to the subregional and regional levels to achieve economies of scale and greater market integration; and thirdly to the international level

through partnerships with Governments and enterprises in developed countries and other industrializing regions. It had been emphasized at Abidjan that industrial development strategies must lead to local capacity-building and private sector empowerment and be based on comparative advantages and long-term, home-grown industrial development plans. The Alliance should also boost the implementation of the Second IDDA. The mid-term review of the Second IDDA would be an important input for the formulation of a plan of action to be considered at the next Conference of African Ministers of Industry in May 1997. The Abidjan Declaration on the Alliance for Africa's Industrialization had been submitted to the Board (see document IDB.16/16/Add.1, annex) and he was sure that it would receive the Board's full support. He wished to thank the Government of Côte d'Ivoire for hosting the launching of the Alliance.

21. The revised draft medium-term programme framework, 1998-2001, had been prepared in response to the General Conference's request, in view of the reduced resources available to UNIDO. The document submitted (IDB.16/23) assumed that UNIDO's basic substantive delivery capacity would be maintained in the medium-term programme period, despite the overall resource base reduction. The document adopted a new structure and outlined the medium-term programme focus under the new thematic priorities of UNIDO.

22. The document on personnel matters (IDB.16/17) reported on the completion of the staff separation scheme and on the composition of the Secretariat, including geographical representation and gender balance. With the support of Member States, it had been possible to implement the separation scheme rapidly. In aggregate terms, the report showed an 18 per cent decrease in the total number of staff, over the period 31 December 1995 to 1 August 1996. General Service staff accounted for 73 per cent of the total number of separations. Among the Divisions, the Division of Administration had taken the highest reductions in staff, 45 per cent of the total. In filling current and future vacancies, he had initiated steps to improve geographical and gender balance through the recruitment of qualified candidates, both men and women, from under- or non-represented regions or countries. Besides recruitment, reforms had encompassed areas such as accountability, staff rewards and career development. Innovations had included the introduction of a new staff performance evaluation system, a new placement and promotion system and a new customer service approach to the provision of personnel services, designed to pave the way for further decentralization.

23. During the recent deliberations of the General Assembly's Second Committee, he had had the pleasure, on 25 October, to introduce the report of the Secretary-General on industrial development cooperation and to respond to a number of important statements by Member States, most of them recognizing UNIDO's achievements. The Secretary-General's report contained a concise review of the continued importance of industry in economic and social development, the agenda for international industrial development cooperation and the reform of UNIDO.

24. Following the Ministerial Meeting of the Group of 77 in New York, UNIDO had assumed a leading role in coordinating, with UNDP and UNCTAD, preparations for the South-South Conference to be held at San José, Costa Rica, in January 1997.

25. He had always maintained that the reform of UNIDO was more about improving quality than about cutting costs, though he did not belittle the importance of using limited resources more efficiently. It gave him great pleasure to see that UNIDO's quality-related efforts had not gone unnoticed. UNIDO's quality assurance staff had been called upon by other international organizations to provide services in programme formulation and in training related to concepts for the quality management of development cooperation. UNIDO had also been asked to brief the missions of the Group of 77 in New York on the principles of project design, monitoring and evaluation.

ORGANIZATION OF WORK

26. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

27. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

28. *It was so decided.*

29. He said that Member States wishing to submit draft decisions should do so in writing and well in advance.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1995, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (IDB.16/10 and Add.1 and 2 and Corr.1, IDB.16/26)

IMPLEMENTATION OF THE REFORM (IDB.16/18)

30. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division) introduced document IDB.16/26, concerning arrangements for the establishment of an international centre for hydrogen energy technologies. He wished first to draw attention to a small correction: in paragraph 16, subparagraph (b) of the suggested decision should read: "Requests the Director-General to pursue the discussions with the Turkish authorities for the eventual establishment and long-term operation of the centre".

31. The promotion of the centre was part of UNIDO's overall programme of international cooperation and the establishment of international centres in new technologies. Hydrogen energy was considered an environmentally sound and renewable energy system for the twenty-first century. The document highlighted UNIDO's past and ongoing activities to promote hydrogen energy technologies and provided background information on the centre, including the preparation of a feasibility study. The feasibility study had been examined by a meeting of international experts in 1996 and it had unanimously supported the proposal for establishing the centre. The centre's long-term mission would be to act as a bridge between industrialized and developing countries and close the gap between research and development organizations, innovative enterprises and the market-place, thereby stimulating applications of hydrogen energy technology in industrial development throughout the world and in developing countries in particular.

32. In line with other international technology centres promoted by UNIDO, the centre would be financed exclusively from voluntary contributions. The Government of Turkey had indicated that it would allocate the required land, build the centre's premises and support its operations.

33. **Ms. DORAN** (Observer for Ireland), speaking on behalf of the European Union, Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, said that she welcomed the new format of the Annual Report, which was more user friendly for Member States than the format of previous reports and contributed to a greater understanding of UNIDO's operations and how they related to the seven thematic priorities.

34. The last few years had been difficult for UNIDO and the implementation of the reform process had not been painless, but certain elements could now be deemed to be complete. She was referring to certain organizational elements such as the staff structure and staff levels. It was now time for the Organization to concentrate on its mission. The reform process was not over; it was necessary for all international organizations to inspect themselves continuously to see where improvements could be made, to weed out inefficient practices, to focus on core activities and to ensure that activities where no comparative advantage existed were eliminated. The process would involve a need for further staff training and that should be reflected in the budget proposals. Mechanisms to advance UNIDO's future endeavours towards increased efficiency and effectiveness would be welcomed. The European Union saw further scope for deselection of subsectors and a reduction in the number of fields of activity in connection with the seven thematic priorities.

35. The Director-General's report on the implementation of the reform (IDB.16/18) gave a very good factual overview, but she would have liked to see the report present the principles guiding the continuing reform, as well as a clearer confirmation of UNIDO's commitment to the concept of a continuous reform process.

36. She urged the Director-General to improve coordination with other relevant bodies in order to eliminate duplication; the Secretariat should develop a clear division of labour with UNCTAD, *inter alia* in the areas of investment promotion and technology transfer.

37. She welcomed the recent establishment of the International Business Advisory Council as a means of reinforcing relations between UNIDO and the private sector, and would like UNIDO to indicate in greater detail what it expected to achieve from such cooperation

38. The 1995 Annual Report of UNIDO indicated that the African continent's overall economic condition remained precarious and that the region would benefit little from global trade liberalization (see document IDB.16/10, chap. V, paras. 11 and 12). The sub-Saharan region of Africa, where two thirds of the least developed countries were located, still had a weak manufacturing basis. The European Union believed that UNIDO would ultimately be judged, *inter alia*, by the extent to which it contributed efficiently and effectively to the industrialization of the least developed countries, by laying the foundations for long-term prosperity and economic strength, with a view to creating a better life for the people of those countries. The specific problem of the industrialization of African countries should continue to be one of UNIDO's main priorities. She welcomed the launching of the Alliance for Africa's Industrialization

as a dynamic mechanism for the attainment of the goals and objectives of the Industrial Development Decade for Africa. The Director-General should support the efforts of African Governments, African economic and financial regional and subregional institutions and African private operators to translate the initiative into tangible benefits for the continent.

39. With reference to field representation, she urged the Director-General to develop, in consultation with Member States, a specific proposal for the country coverage and location of subregional offices. Field offices were an integral part of UNIDO. Any reduction in the level of expenditure accorded to them from the regular budget would not be acceptable. The proposal to make service in the field an integral part of the career development of UNIDO staff was also welcome.

40. She acknowledged the accomplishments of the Investment Promotion Service and welcomed the better networking among IPS offices and the intention to coordinate their activities better with Headquarters. They should intensify their cooperation with international financial organizations. It was very important that follow-up activities to the investment forums and "Techmarts" should be intensified. It would be useful for investment promotion to be combined with the transfer of cleaner production technologies, to promote cleaner industrial production.

41. With reference to agenda item 14, which had been included at the request of one delegation, the European Union was not convinced by the arguments advanced in favour of Board approval of the appointment of managing directors. That proposal had no legal basis, since the Constitution provided only for Board approval of the appointment of a deputy director-general. The European Union did not wish to see the constitutional responsibility of the Director-General to appoint his staff diminished in any way, or to see the role of the Director-General in shaping the Organization in the personnel area reduced.

42. It was of vital importance that Member States should fulfil their obligations to UNIDO. Membership of any organization involved both benefits and responsibilities. All Member States had an obligation to catch up with arrears and pay their assessed contributions promptly, in full and without conditions.

43. **Mr. MOTIU** (Romania), after endorsing the statement made on behalf of the European Union, said that the gains of the reform process included the development of the philosophy of UNIDO as a "learning organization" and the increased level of efficiency that had been achieved. It was to be hoped that the Member States would now be more motivated to deal with the problem of the late payment of contributions. Focusing on a reduced number of priorities would help UNIDO to fulfil its most important roles. The development of the seven thematic priorities was one of the major steps taken in 1995. Romania was particularly interested in promoting projects under the thematic priorities concerning the environment and energy, industrial information, investment and technology promotion and small and medium enterprises. With regard to projects in Romania, he wished to stress the competence and efforts of those involved in identifying the projects, preparing project documents and supporting the projects at sessions of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol. He also thanked the Managing Director, Mrs. Tcheknavorian, for her contribution. Regarding the joint UNIDO/UNEP National Cleaner Production Centres programme, he said that financial support from UNIDO or from a donor institution in a developed country would be necessary in order for the centres concerned to become fully operational. The priority attached to the development of small and medium enterprises was reflected in the continuation of activities carried out in the framework of the United Nations Centre for the Promotion of Small and Medium Private Enterprises.

44. Over the previous three years, the Romanian economy had grown steadily. The mass privatization process had been successfully completed in September and State-owned shares in a number of companies had also been sold to private investors. Romania now presented an attractive environment for foreign investors and UNIDO could play an important role in encouraging foreign investment in the country. That subject, among others, had been discussed at the recent session of the joint UNIDO-Romania Committee, and the protocol and work programme adopted at that session would undoubtedly favour the coordination of common activities.

45. Romania was committed to further sustaining the Organization's efforts to develop its specific activities.

46. **Mr. AZUMA** (Japan) said that Japan had been calling for a new strategy emphasizing the role of developing countries in the development process and the need for a new global partnership allowing cooperation between developed and developing countries. UNIDO was expected to play an important role in implementing that strategy, which Japan would continue to promote.

47. Throughout its existence, UNIDO had faced numerous challenges and had responded with positive contributions to the industrialization of developing countries and countries with economies in transition. However, the Organization now stood at a crossroads. The reform process had gained momentum, substantial progress had been made with respect to downsizing and

the Organization had succeeded in focusing on new priority areas. It was essential that the momentum of reform should be maintained. UNIDO must establish its own identity within the United Nations system. It must avoid duplicating the work of other international organizations, such as UNDP, and must distinguish its own aims from those of other organizations. The Japanese Government would support UNIDO as long as it continued its efforts to achieve more efficient management and more focusing of its activities.

48. With regard to item 4 ("Implementation of the reform"), he said that UNIDO should give top priority to focusing its activities on a limited number of programmes and concentrate on programmes in which it had the greatest competitive advantage with respect to other related organizations. In that connection, Japan had suggested two programmes—investment promotion and environment-related industrial programmes—which deserved further focused priority. He welcomed the establishment of the International Business Advisory Council, which would undoubtedly serve as a useful channel between the Organization and the private sector.

49. With regard to the Second Industrial Development Decade for Africa and the industrialization of the least developed countries, his delegation welcomed the recent launching of the Alliance for Africa's Industrialization. The industrialization of Africa should continue to be given priority among UNIDO's activities. His delegation also supported UNIDO's efforts devoted to the industrialization of the LDCs, and was concerned at the slow pace of industrialization in those countries. It was essential to support sustainable development in the LDCs and in Africa.

50. Regarding item 8 ("Field representation"), his delegation welcomed the new approach to UNIDO field representation, which was essential if the Organization was to deliver effective and efficient services meeting the needs of the recipient countries. Subregional coverage, together with the network of focal point offices in the countries of coverage, was a realistic solution given resource constraints. The role of the UNIDO Country Directors should be strengthened in terms of programming and policy advice to the host countries. The Secretariat should further develop the new approach, in close consultation with Member States.

51. With regard to item 10 ("Medium-term programme framework, 1998-2001"), he said that, at a time when many States were facing severe budgetary constraints, it was essential to prepare the programme and budgets on the basis of a realistic financial assessment.

52. On agenda item 13 ("personnel matters"), he said that the Organization should acquire new blood and recruit industrial development experts from both the public and private sectors, taking into account the need to remedy the underrepresentation of certain Member States.

53. Finally, with regard to the appointment of the Director-General, he said that it was essential for the Organization to be headed by an individual capable of implementing the reform process fully and establishing a well-focused identity for the Organization. His delegation would continue to observe the progress of the reform process under the current Director-General.

54. **Mr. PESCI BOUREL** (Argentina), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that in UNIDO's thirtieth anniversary year the balance sheet of the Organization was extremely positive and that GRULAC was confident that, as a result of the reform and restructuring process, UNIDO would be in a position to face the challenges of the twenty-first century. It was clear that the series of adjustments and refinements would continue in the near future to make UNIDO a centre of excellence. The results of the Organization's activity in the previous year as set out in the 1995 Annual Report were encouraging, particularly in view of the fact that 1995 had been a crucial year in the reform and restructuring process.

55. The importance of UNIDO's role within the United Nations system had been emphasized by the Rio Group in a recent statement in the Second Committee of the General Assembly.

56. With regard to field representation, he said that GRULAC welcomed, in principle, the new framework for the reorientation of the UNIDO field representation programme. The new approach would enable field offices to engage in dialogue with the Governments of the host countries, and GRULAC appealed to the Director-General to begin the consultation process with Member States and regional groups with a view to establishing the new system as soon as possible.

57. GRULAC welcomed the Director-General's efforts to incorporate the System-Wide Action Plan on Drug Abuse Control into the UNIDO work programme, and urged him to take the necessary steps to strengthen UNIDO's cooperation with other organizations in that field.

58. Finally, GRULAC welcomed the recent establishment of the International Business Advisory Council. At a time of ever increasing globalization, links between UNIDO and Governments, industrial associations and business councils were essential.

59. **Ms. RUIZ ZAPATA** (Mexico), after expressing support for the statement made on behalf of GRULAC, said that UNIDO was entering a new stage as an Organization that was now ready to meet the challenges, in the field of industrial development, of globalization and interdependence. Furthermore, its achievements in the reform process were an example to other organizations.

60. The Organization's objectives had been taken into account in the development of its programmes, projects and activities within the seven thematic priorities and she called upon the Director-General to continue his work in that direction. UNIDO was satisfactorily fulfilling its role as a global forum for industrial development matters and as the central coordinating agency within the United Nations system in the field of industry, and she urged the Director-General, the Secretariat as a whole and all Member States to continue their efforts, having due regard to the principle of equitable geographical distribution and the need for balance among the Organization's various activities.

61. Mexico was a beneficiary of UNIDO projects, including the National Cleaner Production Centre programme, the regional programme for the development of industrial subcontracting in Latin America and the regional programme for industrial modernization of the capital goods sector in Latin America. It was also to benefit from assistance for the development of the so-called "Vision 2020". Mexico welcomed the establishment of the International Advisory Business Council. A national industrial business council was already in operation in Mexico.

62. The current phase of consolidation was possibly the most important stage in the reform process. Now, more than ever, it was essential for Member States to continue to support the Organization. Mexico, like many other countries, recognized the importance for UNIDO to continue its work on the basis of zero real growth for the budget in the 1998-1999 biennium. It was important for the Organization to have the resources necessary to fulfil its mandate, particularly given the budgetary cuts that the Organization had already suffered. While understanding the arguments of those delegations that had difficulty with the principle of maintaining zero real growth, she said that there would be no point in fighting for new cuts that would have a negative effect on the attainment of the Organization's objectives. Despite the 25 per cent reduction in the budget following the withdrawal of the major contributor, the Organization has managed to reverse the downward trend for technical cooperation project delivery that had existed since 1990. It should not take a step backwards and have to reverse the new upward trend.

63. With regard to item 16, the provisional dates of the seventeenth session of the Board and the thirteenth session of the PBC were acceptable, taking into account the agendas to be considered.

64. **Mr. HOJERSHOLT** (Denmark) informed the Board that Denmark had decided to undertake a review of the UNIDO reform process, as a follow-up to the study carried out by the Danish Ministry of Foreign Affairs in 1992. The review would assess the new organizational structure and consider the role, mandate and capacity of UNIDO. It should enable the Danish authorities to decide whether the follow-up to the reform, notably the focusing of activities, was sufficiently satisfactory to justify continued Danish membership of UNIDO. The review, which would be headquarters-based, would be carried out from January to May 1997. It would be based on close cooperation between UNIDO and the Danish Mission to the United Nations in Vienna.

65. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that although the Group welcomed UNIDO's achievements over the previous 30 years, it was concerned about the Organization's current difficulties and the fact that some perceived reform to mean downsizing and the further separation of staff. It hoped that greater political will and financial support for the Organization would be forthcoming and that that would lead to greater efficiency and effectiveness.

66. Particularly in view of the reduced resources available to the Organization for technical assistance programmes, the Secretariat should show in a more analytical manner the breakdown of activities by individual thematic priorities, major programmes and subprogrammes. He was glad to learn from document IDB.16/22 that resources allocated to the Africa Bureau (programme 330) had been increased by 3.6 per cent and that other programmes in Africa were receiving more resources. The Group hoped that such gestures would be matched with concrete results. Despite the total funds of about $10.5 million allocated to the IDDA programme, that programme had shown few visible signs of success. The Group would appreciate a clear indication of the trend regarding other UNIDO funding for African projects. It was also extremely concerned about the proposed departure from the zero real growth policy.

67. The African Group had always appreciated UNIDO's activities for the industrialization of Africa. African States were committed to facing the challenges of future economic development through industrialization and were aware of the need for rapid industrial and technological development on the continent at a time of increased globalization and world trade liberalization.

Private-sector productive investment should be significantly enhanced and the necessary institutional support for Africa's industrial growth and competitiveness should be provided. In that connection, the Group welcomed the recent launching of the Alliance for Africa's Industrialization as a dynamic mechanism for attaining the objectives of the Second IDDA. The Group would like to see a high level of cooperation between UNIDO, the Economic Commission for Africa, the Organization of African Unity, the Conference of African Ministers of Industry and the African Business Round Table for the implementation of the proposals contained in the Abidjan Declaration. Recognizing that the issue of funding for the Alliance was still to be resolved, the Group called on Member States to consider as a matter of priority the establishment of a pledging mechanism to provide money for the operation of an interim secretariat for the Alliance. He also urged the Director-General to solicit the support of the international financial institutions as well as members of the recently formed International Business Advisory Council. More information on the mechanisms of the Alliance and its links to the IDDA programme would also be appreciated.

68. The economic situation in the African continent had worsened in the previous decade. Industry's contribution to gross domestic product had stagnated in 1981 and the share of manufacturing value added had decreased from 1 per cent in 1981 to 0.8 per cent in 1994. The Group hoped that the new impetus being given to the African regional programme would enable the continent to realize its industrial aspirations, and it called on UNIDO Member States, especially the major donors, to further enhance the technical assistance programme for Africa by increasing their financial contributions to that cause.

69. The African Group agreed that the industrial investment promotion services and the programme for the least developed countries should be further expanded. It welcomed the measures for the improvement of the field representation programme mentioned in document IDB.16/19 and the new approach to the programme, and wished to encourage the Director-General to expand the programme, particularly in Africa. It urged UNIDO to play a more proactive role in the training and retraining of African industrial personnel.

70. Finally, having thanked all concerned for their efforts to give African industrialization the high priority it deserved, he appealed to all Member States to continue to provide the political and financial support necessary to enable the Organization to deliver appropriate technical assistance programmes to developing countries, particularly those in Africa.

71. **Mr. ELFEKI** (Egypt), after thanking Mrs. Tcheknavorian, Managing Director of the Industrial Sectors and Environment Division, and Mr. van Raalte, Managing Director of the Division of Administration, at the end of their terms with UNIDO for the services they had provided for the benefit of the Member States, said that the administrative and financial reforms that UNIDO was currently undergoing had been dictated by complex international circumstances, a situation compounded by the complexity of the developing countries' needs. Within that context, the reforms were necessary to enable resources to be better utilized for the Organization's benefit.

72. In that connection, his delegation supported the measures taken, especially those directed towards decentralization in administrative functions and project implementation and the encouragement of private-sector involvement in UNIDO activities, particularly in relation to technical assistance.

73. His country welcomed the initiative to establish the International Business Advisory Council (IBAC) and had played an active role in the Council's work in October. It also favoured the creation of National Industrial Business Councils (NIBCs) as a means of encouraging more dynamic partnership between the private and State sectors, which was one of UNIDO's priorities.

74. His delegation also supported technical assistance and cooperation among developing countries and between the developed and the less developed countries, enabling the potential of the former to be exploited for the benefit of the latter.

75. UNIDO's weak financial situation, due, in particular, to the irregularity of payment by certain countries, was a factor preventing the Organization from developing essential strategies and projects. The Member States should undertake to pay their contributions in a regular fashion. At the same time, payment of contributions should not be made subject to particular conditions, since Member States had other ways of expressing their points of view and should be endeavouring to help UNIDO to implement its projects. In that connection, his delegation intended to make a positive contribution to the work of the open-ended discussion group set up to look into the question of accelerating the payment of contributions by Member States. The proposal to allow developing countries to pay their contributions in local currency offered a solution which might well be successful in encouraging those countries to honour their commitments, it being understood that such a system should not be regarded as setting a precedent. His delegation also favoured the introduction of incentives to

encourage countries which respected the payment deadlines to continue to do so.

76. With regard to the report of the External Auditor (IDB.16/2) and the Director-General's comments on that subject, his delegation was somewhat concerned that the finance manual had not yet been updated and that the original manual had not even been distributed to staff members involved in financial administration. The information regarding the transfer of funds from one programme to the other was also noted. He was confident that the Secretariat would take heed of all the recommendations contained in the report and, in particular, hoped that it would act swiftly in reforms relating to information technology.

77. Regarding the programme for the Second Industrial Development Decade for Africa (IDB.16/15 and 16), his delegation sought clarification as to why no details were given of the projects approved as of 30 July 1996. Furthermore, there seemed to be a lack of compatibility between technical assistance activities and subsidiary activities. One welcome initiative, however, was the launching of the Alliance for Africa's Industrialization, and it was to be hoped that the Secretariat would submit data showing how that initiative could be carried out without prejudice to the organization of other activities.

78. With regard to field representation, his delegation welcomed the new orientation in the direction of subregional coverage. However, it was to be hoped that more financial support would be forthcoming from the various beneficiary and donor countries. In that regard, he requested the Secretariat to take account of the views expressed by the UNIDO Country Directors.

79. Turning to investment promotion, he expressed his delegation's support for extending and diversifying the African investment promotion networks and for encouraging a degree of South-South cooperation, especially in view of the Organization's immense knowledge and experience and also its pioneering role in the sphere of industrial investment.

80. Finally, he stressed the great importance of UNIDO's work as it approached the completion of the reform process, and had every faith in its ability to live up to the hopes of the developing countries and to fulfil its mission as a symbol of cooperation and harmony between developing and developed countries.

81. **Mr. ARIZAGA** (Ecuador), endorsing the statement made on behalf of GRULAC, said that he wished, on the occasion of UNIDO's thirtieth anniversary, to commend the Organization for its achievements and to thank it for its cooperation with Ecuador in the industrial sphere. His delegation had always supported the Organization and would continue to do so in the belief that UNIDO had the operational capacity to meet the challenges of a world in constant flux without losing sight of its main mandate of promoting the industrial development of developing countries or of its general objectives of fostering competitive industrial production, developing international industrial partnerships and promoting socially equitable and environmentally friendly industrial development.

82. With regard to agenda item 3, concerning the Annual Report of UNIDO, 1995, his delegation considered that the new format fulfilled the requirements stipulated in resolution GC.6/Res.2 and was easier to read than previous annual reports. As for its content, the activities conducted in 1995 showed a positive balance despite the difficulties faced by the Organization and its staff and the major changes necessary to achieve more vigorous leadership, better programme management, simpler administrative procedures and, finally, greater efficiency and effectiveness.

83. 1995 had also been a year in which the gap between privileged and unprivileged countries had increased, which clearly demonstrated that international cooperation, especially in the industrial sphere, should be stepped up further in order to assist the developing countries. The past year had also seen the announcement of the withdrawal of the United States of America from UNIDO at the end of 1996. In that connection, he welcomed the recent statement by a representative of that country that its commitment to development as a fundamental component of its foreign policy would none the less continue undiminished.

84. His delegation commended UNIDO for achieving a 7 per cent increase in technical cooperation project delivery as compared with 1994, and on its success in making drastic budgetary cuts while preserving its ability to provide high-quality services. It was evident that the Organization had indeed corrected its course and was now more flexible and capable of responding more rapidly to Member States' needs.

85. With regard to the reform of UNIDO, the 25 per cent reduction in the regular budget had had an undeniable impact, but the fact that the Organization had none the less managed to maintain or even improve its services with fewer resources was highly commendable. It was regrettable, however, that at the session of the Programme and Budget Committee prior to the present session of the Board a decision had been made in favour of negative real growth. His delegation was confident that the Secretariat would do its utmost to submit a budget departing as little as possible from a zero real growth budget.

86. His delegation also hoped that the recently established International Business Advisory Council would help the Organization to build more effective partnerships with private industry, an area of increasing importance in developing countries.

87. His delegation had repeatedly stressed the need for UNIDO to improve its image. Publications such as "*UNIDO Links*", as well as its home page on Internet, were steps in the right direction. Unless the Organization publicized its activities and achievements widely, it would not be able to continue growing in strength.

88. **Mr. MEYER MEDINA** (Observer for Bolivia) said he was pleased to note from the Annual Report that the reform process of recent months had been largely successful, even though the process had taken place against the background of severe financial constraints and in an atmosphere inevitably marked by insecurity and tension.

89. His delegation wished to congratulate the Director-General on the progress that had been achieved and to encourage him to continue expanding the Organization's capacity for modernization. It fully endorsed the recent statement by the Rio Group in the Second Committee of the General Assembly to the effect that UNIDO constituted an indispensable mechanism for promoting sustainable industrial development. In that connection, his delegation also supported the statement made in the present meeting on behalf of GRULAC.

90. One of the well-conceived measures planned as part of the reform process was undoubtedly the redistribution of the Organization's personnel with a view to improving both the utilization of resources and the quality of the services offered. His delegation was confident that decentralization would be carried out on a consensual basis and would help prevent the adoption of entrenched positions which ultimately served only to marginalize particularly weak economies, reinforced the tendency towards polarization and thus, in the long term, obstructed the smooth course of development.

91. His country was not only a staunch supporter of the reform process in UNIDO but had also seen its relationship with the Organization improve in recent years. Bolivia had had the pleasure of receiving a visit from the Director-General earlier that year, which had provided an opportunity for him to meet the country's most senior officials.

92. Cooperation between UNIDO and Bolivia had also extended to the extremely sensitive subject of alternative development in connection with drug abuse control, an area in which his country greatly appreciated the assistance provided. In addition to the vital support received for specific projects ranging from field operations to key research directed towards achieving a better understanding of the country's agro-industrial competitive advantage, Bolivia was also the beneficiary of support relating to the economic reforms it was undergoing in order to gain a more favourable position within the increasingly globalized world economy. As far as Bolivia was concerned, UNIDO had proved extremely responsive to the country's many different needs.

93. Finally, his delegation hoped that the Board's current deliberations would help it to gain in strength and project its image more forcefully, and that the occasion of its thirtieth anniversary would spur it on in its pursuit of reform.

94. **Mrs. OK** (Turkey) said that she wished first of all to welcome Kazakstan as a new Member of UNIDO, and expressed her country's intention to continue its traditional close cooperation with that country within the framework of the Organization.

95. As the only agency of the United Nations system capable of responding to the growing needs of the industrializing and least industrialized countries, thereby helping to open up new markets and investment opportunities for developed countries, reducing unemployment world-wide and ultimately narrowing the gap between developed and developing countries, UNIDO's significance was as great as ever despite its recent problems. Until the overall process of reform had been completed, however, it would continue to be vulnerable to attempts by other organizations to rob it of parts of its mandate, threatening its survival as an autonomous agency.

96. In recent years Turkey had been a net contributor to UNIDO, financing such cooperation activities as the in-plant group training programmes for LDCs and the Investment Promotion Service office in Istanbul. It was hoped that the relationship agreement soon to be concluded between UNIDO and the Black Sea Economic Cooperation (BSEC) would start to bring results in the near future.

97. Her Government also intended to initiate and finance an important project on hydrogen energy technologies, as described in document IDB.16/26, which would be presented more fully, after the present intervention, by Mr. Mustafa Mendilcioğlu, Deputy Director-General of the Ministry of Energy and Natural Resources. The continuous supply of clean energy, based on the use of solar cells, wind machines or water turbines, which was offered by hydrogen energy technologies was of particular relevance for remote areas lacking a conventional fuel supply, particularly in developing countries. Moreover, those technologies had already been developed and required only moderate

levels of technical skill. The missions undertaken in connection with the feasibility study for the establishment of the centre to a number of countries and to the European Union, the International Energy Agency, the Global Environmental Facility and the World Bank had indicated a willingness on the part of the international scientific and technological community to participate in various stages of the centre's research and training activities. In May 1996, a meeting of international experts held at Istanbul to review the feasibility report had unanimously supported the proposal to set up the centre, which would be funded exclusively from voluntary contributions and thus have no financial implications for the regular budget of UNIDO. Her Government had stated its readiness to allocate the required land, build the centre's premises in Istanbul and support its operations as part of its contribution to UNIDO, an agreement on the matter being expected in due course.

98. During the past six months the concept of closer consultations in management had won wide support from the Board and yielded significant results. While acknowledging that such a novel approach called for a change of mentality, her delegation urged the Director-General to continue pursuing the policy of establishing more formal and closer contacts with Member States on issues relating to high-level recruitment and policy-making in the interests of securing the strong commitment and support of the Member States.

99. Turning to agenda item 4, concerning implementation of the reform, she welcomed the new developments described in the Director-General's report (IDB.16/18) responding to specific elements of decision IDB.15/Dec.2. In particular, the new decentralized project and programme approach, which should be subject to continuous review, represented a step forward. Regarding the second element of the decision, namely the involvement of the private sector in UNIDO activities, her delegation had recommended that UNIDO step up its activities focusing on private-sector involvement in industrial development, thereby countering the widespread criticism that UNIDO had been established to meet the needs of States rather than the private sector. In that connection, the establishment of IBAC and of NIBCs were important reforms. It was to be hoped that the focus on the private sector as the ultimate beneficiary in programmes relating to small and medium-sized enterprises, investment promotion and the environment would yield more concrete results.

100. UNIDO's efforts to formulate a new action-oriented programme for cooperation among developing countries were also welcome in view of the great importance for a number of the developing countries of regionalization in activities in the area of economic and technical cooperation among developing countries (ECDC/TCDC). The Secretariat should act innovatively and proactively in its promotion of regional projects utilizing the training and technological capacities and the industrial, investment and technological experience of the more developed countries for the benefit of those lacking such capacities and experience. At the UNIDO-Turkish Joint Commission meeting recently held at Ankara, her Government had made practical proposals—which it hoped the Secretariat would pursue actively—for such cooperation in various areas of industry. In that connection, the Government would be making a special-purpose contribution of 13.5 billion Turkish lira to the Industrial Development Fund for 1997.

101. Her delegation considered investment promotion to be UNIDO's most important task, providing as it did the best possible framework for cooperation between developing and developed countries and also among developing countries. UNIDO needed to operate most competitively in that relatively new area of international activity in which there were a number of international organizations seeking to compete as sponsors. Despite the great significance and contemporary relevance of investment promotion, the funds available for it were inadequate. The Secretariat was relying on voluntary contributions to establish a network of IPS offices, but had insufficient funding to ensure adequate coordination through programmes designed to identify investors and potentially feasible projects. Her delegation therefore supported the suggestion for an investment promotion fund totalling approximately $1 million per year, which could significantly help to consolidate the investment promotion programme and to develop more efficient activities.

102. In that context, her delegation appreciated the training programmes, such as the programme on the Computer Model for Feasibility Analysis and Reporting (COMFAR), established to assist the IPS offices in identifying investment projects conforming to international standards. However, since the Secretariat could do very little in the way of identifying suitable investors or financial institutions to undertake such projects, it should work towards developing investment partnership by directing more attention to the identification of eligible investors. Such partnership could be achieved, for example, by organizing investment forums, provided that they were well prepared, the investors and potential project partners carefully selected and follow-up to the forums closely scrutinized.

103. In view of the financial impossibility of setting up IPS offices in each individual country, her country had proposed that regional offices be set up to serve the investment needs of the respective regions. In that connection, the Istanbul IPS office could, with the assistance of interested countries, be upgraded to

function as a regional centre for a number of Balkan and Commonwealth of Independent States countries. The regionalization of existing IPS offices was a concept worth pursuing. In general, it was to be hoped that the current problems facing UNIDO's investment promotion operations would soon be overcome through an infusion of extrabudgetary resources.

104. With regard to the overhaul of personnel policies and procedures that had been carried out with particular attention to recruitment, accountability and staff rewards and career development, her delegation welcomed the steps taken towards instituting a decentralized structure for the personnel function and accountability of line managers and also towards delegation of personnel authority. It hoped that those measures would be pursued effectively with a view to achieving tangible results.

105. In a different connection, her delegation had taken note of the compromise decision taken by the Programme and Budget Committee, foreseeing a ceiling for the 1998-1999 regular budget below the level of zero real growth, a decision which it considered unfortunate.

106. Last but not least, Turkey regretted that, according to the Director-General's report, the African continent's overall economic conditions remained precarious and it was deriving very little benefit from global trade liberalization. Her country was endeavouring, through the in-plant group training programmes and special bilateral assistance programmes sponsored by the Turkish Economic Cooperation Institute, to support the strengthening of the institutional and human capacities of LDCs, particularly in Africa.

107. Her delegation welcomed the Director-General's initiative for an Alliance for Africa's Industrialization, but noted that the real challenge facing UNIDO was to find sufficient resources to fund that initiative. It was of the utmost importance that the Director-General should secure the necessary support from the international community, international financial institutions and national cooperation institutions to translate that vision into reality and, in general, to promote the industrialization of the LDCs, especially in Africa.

108. **Mr. MENDILCIOĞLU** (Deputy Director-General, Ministry of Energy and Natural Resources, Turkey) said that, because Turkey was a developing country with a population of over 60 million and a fast-growing economy, its strategy for meeting its expanding energy needs encompassed a range of conventional and also unconventional renewable energy sources such as solar, wind and geothermal energy and small hydropower. In order to deliver the unconventional energy sources to the consumer in usable form, it was necessary to manufacture the two main energy carriers, i.e. electricity and a fuel, hydrogen emerging as the ideal fuel option because of its unique advantages from the environmental, economic and efficiency viewpoints. The Turkish Government considered the hydrogen energy system to be an important option for Turkey's future energy infrastructure and had accordingly funded a UNIDO feasibility study for the establishment of the international centre for hydrogen energy technologies in Istanbul. The Government would be providing 300 acres of suitable land and would be meeting the costs of construction of all the buildings and facilities and of initial operation, amounting to some $40 million over the first five years. Moreover, it would continue to contribute to the centre's budget in subsequent years after it had become fully operational.

109. The centre would provide a range of benefits for both industrialized and developing countries by acting as a bridge for technology transfer, opening up opportunities for related industries, and encouraging the use of an energy system reducing atmospheric, marine and soil pollution, while providing access to renewable energy sources and sustainable economic development.

110. Developing countries would also benefit from the following: support for the establishment of a clean and permanent energy system based on indigenous primary energy sources; assistance in achieving greater energy independence; access to technologies being developed and deployed almost exclusively by the industrial countries; assistance in acquiring the technical skills required for the changes expected in the next century and in preparing for the coming period of energy source conversion; and, finally, assistance provided to current energy exporters in becoming exporters of hydrogen energy.

111. Because of Turkey's geographical location as a bridge between East and West, between North and South and between developing and industrial countries, and because of the cultural, educational and touristic advantages offered by Istanbul, he believed its selection for the establishment of the centre to be most appropriate. Accordingly, he invited all countries—both developing and industrial—to participate in the centre's establishment. Participation would take forms such as cooperation between the centre and national research organizations, lending scientists, performing research and development work and donating equipment and funds.

112. Finally, he wished to express his Government's thanks to UNIDO and the Board for considering Istanbul as the site for such an important energy centre, and affirmed his Government's commitment to do its utmost to ensure that the centre was provided with the necessary

resources and facilities and that it developed into a truly international centre, cooperating with all the countries of the world, especially the developing countries, in establishing clean energy technologies.

The meeting rose at 6.20 p.m.

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Industrial Development Board

Sixteenth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 November 1996, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
-	Organizational matters	1 - 3
3	Annual report of the Director-General on the activities of the Organization in 1995, including progress report on specific activities *(continued)*	4 - 140
4	Implementation of the reform *(continued)*	

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The meeting was called to order at 10.30 a.m.

ORGANIZATIONAL MATTERS

1. **The PRESIDENT** said that the Bureau recommended the establishment of informal consultations to facilitate the drafting of decisions on agenda items 3 to 16. The Bureau also recommended that Mr. Posta (Hungary), Vice-President of the Board, should chair the consultations.

2. *The above recommendations were adopted.*

3. **The PRESIDENT** said that a request had been received for the presentation of the staff's views. If he heard no objection, he would give the floor to the staff representative as early as possible during the consideration of agenda item 4 "Implementation of the reform".

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1995, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/26)

IMPLEMENTATION OF THE REFORM (*continued*) (IDB.16/18)

4. **Mr. SOKOLOV** (Russian Federation) said that his country considered UNIDO to be the principal coordinating body in the United Nations system for promoting the progress of the developing countries and that of the economies in transition towards a market-oriented economy. The Organization's role and future would depend greatly on the impact of its activities and on improving its competitiveness compared with other international organizations in the areas covered by its mandate.

5. On the whole, the reforms introduced to help overcome the financial and structural crisis brought about by the withdrawal of the United States of America were proving successful. UNIDO was gradually returning to normal within a reduced organizational structure, with its mandate and priorities identified more clearly and its programmes more sharply focused. Its role and profile had been enhanced to such an extent that in some respects it could now be regarded as a model for the efforts to reform the social and economic sector of the whole United Nations system. The reform was beginning to yield tangible results. A period of stability was now required so that the mechanisms which had been introduced could become fully effective.

6. With regard to the important area of strengthening cooperation with the private sector, he welcomed the establishment of the International Business Advisory Council (IBAC) as an effective means of enabling the Organization to keep in touch with business concerns in various countries and to react quickly to the private sector's changing needs. It was important that the private sector was being involved more often in UNIDO programme and project implementation. The new developments testified to UNIDO's growing competitiveness and were conducive to the development of better focused, high-quality specialized services.

7. His delegation also welcomed the Alliance for Africa's Industrialization, and was encouraged by the Secretariat's innovative initiatives for revitalizing economic and technical cooperation among developing countries. An element of mutually beneficial cooperation with the economies in transition could be introduced in that connection, in particular with regard to technology transfer.

8. Other encouraging aspects of the reforms were the Director-General's efforts to coordinate activities between UNIDO and other agencies, notably UNCTAD and UNESCO, with a view to avoiding the duplication of activities, the improved quality of pre-session documents and their prompt circulation to Member States, the improved format and content of UNIDO's information publications, and the increased efficiency of its public relations work.

9. He welcomed the steps taken in the field of personnel management aimed at achieving greater transparency through consultations between the Director-General and Member States, and the efforts made to strengthen cooperation between Personnel Services and the various divisions of UNIDO. It was to be hoped that the management of Personnel Services, having already shown its susceptibility to innovation, would consider favourably the recommendations on establishing a maximum term of work in the Secretariat and on external recruitment, since they offered the best means of bringing in fresh blood and ensuring the level of professionalism and expertise that UNIDO currently required. Moreover, this would mean a reduction in costs for retraining staff.

10. Those encouraging factors did not mean that UNIDO had overnight become a model organization. All the carefully developed instructions, policy statements and good intentions still had to be translated into deeds. Administration and implementation were weak and there was some inertia on the part of the staff. Coordination between divisions was sometimes lacking. The Secretariat should work closely with Member States to improve the situation.

11. Turning to the Annual Report, he reiterated his country's concern that UNIDO should expand its work in the economies in transition in such fields as the attraction of foreign investment, support for regional industrial development, the promotion of the restructuring of industrial enterprises, the establishment of environmentally safe enterprises and the development of small- and medium-scale undertakings. He hoped that all those aspects would be considered thoroughly by the Joint Russia-UNIDO Committee at its meeting following the Board's current session.

12. Finally, Russia would like to be involved in the project to establish an international centre for hydrogen energy technologies and was willing to begin discussions with UNIDO and Turkey on that matter. Russia would be able to contribute considerable information and support to the centre on the basis of its scientific infrastructure and the work already carried out in the relevant area in the context of national fuel and energy policy.

13. **Mr. LI Changhe** (China) said that after dealing with the major choices and severe challenges with which it had been confronted, and establishing seven thematic priorities in the light of its comparative advantages, UNIDO had emerged in 1996 as a leaner and more efficient organization. In the process, it had not only raised its own profile, but had also set an example for other bodies within the United Nations system. His Government believed that the reformed UNIDO could successfully accomplish its important mission of providing comprehensive yet specialized services to Governments, agencies and enterprises as the demand for industrial development and economic revitalization increased.

14. Turning to the Annual Report, he welcomed the fact that the document had been drafted in a more concise and better focused format which fully met the concerns expressed by Member States and reflected the spirit of the reforms taking place at UNIDO. In the important area of technical cooperation, his delegation welcomed the 7 per cent increase in programme delivery over the previous year, reversing the declining trend which had existed since 1990. The achievement was highly commendable given the severe shortfalls in resources.

15. Although the budget for the 1996-1997 biennium had been reformulated, the major shortfalls resulting from arrears in Member States' contributions remained and programme delivery for 1996 would be lower than in 1995. His delegation supported the measures UNIDO had taken to promote timely payment of assessed contributions. He called on all Member States promptly to fulfil their financial obligations. For its part, China had always fulfilled its pledges and would continue to do so in the future.

16. Sustainable development had become an issue of world-wide concern, as demonstrated by the fact that over 30 countries and international bodies, including UNIDO, had participated in the Second Round-table Conference on Agenda 21 held in Beijing recently. Over the past year, UNIDO and the Chinese Government had conducted a series of fund-raising activities in support of China's 16 jointly formulated projects related to Agenda 21. His delegation was grateful to UNIDO for those efforts, and hoped that it would urge the developed countries to provide new and additional resources for the developing countries and to transfer technology for environmental protection under preferential terms.

17. Earlier in the year, UNIDO and the Chinese Government had established an IPS office in Beijing, and a network of branches had subsequently been opened throughout the country. His delegation considered that the promotion of industrial investment offered one of the most positive means of assisting a country's effective integration into the global industrialization process. Since the area was also one in which UNIDO enjoyed a competitive edge, his Government would continue to do its utmost to support the activities of the Beijing office, while trusting that UNIDO would continue to seek improvement in the quality and efficiency of its investment promotion activities. As a further example of their cooperation, his Government and the relevant departments of UNIDO were currently preparing a major international symposium to be held in 1997 to promote economic development in the poverty-stricken regions along the Beijing-Kowloon railway line.

18. Turning to personnel matters, he said that the additional staff cuts implemented up to the end of August 1996, the successful completion of the separation programme and the adoption of a new performance evaluation system aimed at improving efficiency and managerial skills had not only effectively improved UNIDO's image, but also constituted a solid foundation for its future development. At the same time, his delegation wished to reiterate that as an international organization having over 160 Member States, UNIDO should fully respect the principle of fair geographical distribution in its personnel structure and recruitment.

19. **Mr. POSTA** (Hungary), after associating his delegation with the statement made at the previous meeting on behalf of the European Union and associated States, said that the 1995 Annual Report well reflected the Organization's overall achievements and increased importance. The quality of the document's format had improved considerably: it was more transparent, easier to read and avoided duplication of items, while also

concentrating on the achievements of UNIDO in terms of its increased efficiency.

20. Among the achievements described in the report, he wished to highlight the importance of the technical cooperation, neutral advice and specialized support that UNIDO provided for economies in transition. In that regard, UNIDO trust fund support for regional development, industrialization and the transfer of know-how had considerably strengthened Hungary's capacity to function as a free market economy and the development of its backward regions. He thanked UNIDO for its help and also the industrialized countries which had acted as trust fund donors. He hoped that their efforts would improve the prospects for further East-West industrial cooperation in the specific area of regional/subregional technology transfer.

21. Turning to agenda item 4, he said that Hungary had long regarded the reform of UNIDO as a useful pilot exercise for reform in the United Nations system. Accordingly, his delegation was pleased to note the Director-General's announcement in document IDB.16/18 that the reform agenda had been virtually completed.

22. Despite the financial constraints forcing it to concentrate on measures that resulted in expenditure reduction, the Organization had redefined its key objectives and programmes on the basis of the seven priorities in such a way that it now had a programmatic framework which enabled it to say "no" in some cases but gave it sufficient flexibility to adapt to the ever-changing needs of its clients.

23. His delegation also welcomed the fact that after some delay the Secretariat had redesigned the mechanisms for delivering its services, and looked forward to studying the Director-General's bulletin specifying areas of responsibility in the crucial area of programme and project implementation. It also hoped that the text would be equally clear on the issue of delegating authority to responsible persons or teams. His delegation expected the Organization to take full advantage of the absence of bureaucratic rules that could slow down the delivery of its services.

24. The decentralization measures described in document IDB.16/18, although limited, represented one of the reform's major achievements. His delegation hoped that the test period would not be so long as to endanger the entire concept.

25. His delegation welcomed the establishment of IBAC and the national industrial business councils (NIBCs), and hoped that it would prove possible to secure the active participation of industrialists from countries in transition. Hungary looked forward to receiving information from the Organization on the early results of the experience with NIBCs, so that it would be able to take the best course of action when its turn came.

26. Finally, he reiterated his country's satisfaction with the UNIDO reform. The Organization had become smaller and more flexible, and the restructuring had had a positive impact on its management style and, it was to be hoped, the efficiency of its decision-making.

27. The reform should be regarded as the beginning of a process characterized by permanent efforts to adjust the Organization's activity to the changing economic circumstances of its Member States. Only when that was achieved would it be completely successful.

28. **Mr. SURYOKUSUMO** (Indonesia) commended the Director-General on the improved form and content of the Annual Report and on his and the Organization's continuing efforts to implement and conclude the reform process.

29. It was important to recognize that reform was not merely an administrative or managerial issue, but a matter of increasing the effectiveness with which UNIDO fulfilled its overall role in development. His delegation therefore noted with satisfaction the Director-General's efforts to prioritize the Organization's programmes, and recommended that UNIDO should continuously evaluate its organizational performance as a means of convincing the Member States regarding its improved effectiveness and efficiency.

30. His delegation also noted with appreciation the measures to revise project cycle management and related procedures with a view to ensuring increased efficiency and full alignment with the new thematic priorities.

31. His delegation shared the view that the private sector now had an enhanced role as the main agent of industrial development. There should therefore be more direct interaction between the private sector and UNIDO. The establishment of IBAC and the Director-General's description of private-sector involvement in a number of technical cooperation projects aimed at broadening the range of UNIDO counterparts and fostering direct interaction with industry and industrial associations were welcome developments.

32. Indonesia shared the view that regional and interregional groups now played a considerably enhanced role in sustaining regional economic growth and creating a conducive business environment. As a member of the Association of South-East Asian Nations (ASEAN), it was convinced that the establishment of the ASEAN Free Trade Area (AFTA) by the year 2003 would have

a beneficial impact on the industrialization process in that region. It therefore welcomed UNIDO's continued support for ECDC/TCDC programmes which offered support for regional and interregional groupings in cooperation with the Group of 77 and the Group of Fifteen.

33. In conclusion, he said that although the reforms introduced over the past three years were almost complete, the Organization should continue to monitor their functioning and impact.

34. **Mr. WORONIECKI** (Poland) expressed appreciation for the documentation submitted and said he wished to highlight the report of the External Auditor (IDB.16/2), and in particular its comments on the paramount problem of assessing UNIDO's efficiency and effectiveness, especially in respect of its technical cooperation activities. His delegation believed that the recommendations of that report should be studied further in conjunction with the conclusions from the present discussions, and appropriate action taken.

35. Since the Board's fifteenth session, intersessional meetings had allowed a productive dialogue between Member States and the Secretariat on a number of important issues. His delegation wished such substantive dialogue to be continued in the future, and also considered that the informal preparatory meetings for the sessions of the PBC and the Board had also proved their usefulness as innovative instruments for consultations and exchanges of views.

36. UNIDO's reform remained on the right track. At the same time, the Board was faced with an abundance of detailed information supplied by the Director-General on changes in procedures. That was presumably intended for information only, as Member States were not supposed to intervene in the management of the Organization at the "micro" level.

37. His delegation, like others, considered that effective reform was a process rather than a single event, and therefore welcomed the ongoing work to sharpen UNIDO's focus, both in thematic and sectoral terms. UNIDO'S role as a forerunner of reform within the United Nations system should not give rise to complacency and did not release UNIDO from the obligation of improving its interaction with other organizations active in the field of development support. In that connection, new arrangements on field representation between UNIDO and UNDP deserved more attention.

38. On the other hand, quasi-permanent reform involved certain dangers, and care should be taken to achieve a certain level of stability, particularly in the area of personnel policy. In that regard, the overhaul of personnel policy described in paragraphs 58 and 59 of document IDB.16/18, augmented by the decentralization of certain tasks within the project cycle, the clear definition of responsibilities, authority and accountability of staff in different units and the simplification of procedures avoiding undue proliferation of instructions should all prove conducive to improved staff morale.

39. Poland supported the efforts to secure increased private-sector involvement in UNIDO activities, such as the establishment of IBAC, which it hoped would lead to enhanced opportunities for its increasingly privatized industries to cooperate both with and through UNIDO.

40. The Organization's investment promotion programme, an area in which it enjoyed a clear competitive advantage, was unquestionably one of its high-priority activities. At the same time, his delegation was pleased to see from *Industrial Development Global Report 1996* that global investment flows were perceived in the right perspective. Domestic private investment was the most important source of investment in developing countries and countries in transition. The efforts of UNIDO to promote investment inflows, focusing on countries and regions that benefited less than others from global investment technology flows, could substantially facilitate global industrial integration.

41. Poland noted with satisfaction that, in line with the reform process and the new management principles, new procedures and administrative guidelines had been developed to simplify the administration of and give greater autonomy and flexibility to the IPS offices. It intended to enter into an agreement with UNIDO regarding its IPS office, which had been established in 1983. The office had also recently hosted the First Economic Forum for Poland and South-East Asia. A network of UNIDO offices had been established with the aim of promoting the ideas of the Forum and finding potential partners for cooperation with Polish companies.

42. In conclusion, he associated his delegation with what had been said concerning a possible scheme for ensuring the timely payment of assessed contributions, and also changes in the financial regulations. UNIDO's financial situation was still precarious and Poland, which fulfilled its obligations to the Organization in full and on time, urged those countries in arrears to improve their payment pattern. The Organization's future depended on the actions, rather than mere expressions of support, of its Members. Such support was a key precondition for enabling UNIDO to fulfil its mandate.

43. **Mr. SHAH** (Pakistan), after welcoming Kazakstan as a member of the Organization, said that the Board's current session provided an opportunity to

take stock of the almost completed reform process and to offer proposals on the optimum use of UNIDO's resources and on increasing its organizational effectiveness.

44. Despite the thematic and sectoral priorities which had been established, his delegation still considered that there was further scope for making UNIDO more demand-driven and competitive compared with other international organizations having similar roles.

45. One area which could be given higher priority was the Organization's human resource development programme. The improvement of industrial and technological management and skills was essential to the industrialization of developing countries and economies in transition, and should be integrated with the Organization's projects.

46. Pakistan regarded UNIDO as a partnership between the developed and developing countries, established in the larger interest of global socio-economic progress. Economic and technical cooperation among developing countries was becoming more important at a time when some big donors seemed to be wavering. Although the more successful developing countries were not rich, their resources, expertise and experience could be used for the benefit of other Member States. In that context, he welcomed the proposed establishment of an international centre for hydrogen energy technologies in Istanbul.

47. He welcomed the establishment of IBAC, and UNIDO's overall recognition of the fact that the private sector was gradually moving into areas traditionally occupied by the public sector, particularly in the developing countries, which recognized the challenge posed by the creation of new trading systems and the opportunities they offered. However, since not all countries had attained levels of industrialization which would enable them to compete with the developed market economies or to benefit equally from such opportunities, the aim of UNIDO's industrial promotion programme should be to help those at lower levels to achieve competitiveness.

48. Turning to UNIDO's financial problems, he said that it was in the individual and collective interests of Member States for all outstanding contributions to be paid without further delay. He appealed to States to clear their outstanding debts and pay their assessed contributions in time. Pakistan supported the efforts of the open-ended discussion group on that issue, and hoped that it would continue its work in the coming year.

49. With regard to personnel matters, his delegation considered that the functions of the posts described as "Managing Director" were extremely important and essentially the same as those performed by deputy directors-general in the past. That being so, they should be subject to the same articles of the Constitution. Although document IDB.16/18 stated that due regard was paid by the Director-General to the importance of recruiting staff on a wide and equitable geographical basis, that principle had not been observed in the appointment of Managing Directors. The imbalance should be corrected as soon as possible.

50. Pakistan, which had always supported the concept of regional cooperation, welcomed UNIDO's efforts to promote industrial development within the framework of regional or subregional programmes. The areas requiring particular attention were energy generation, the integration of women into the industrial sector, promotion of private investment, environmental conservation, the development of small- and medium-scale industries and technology transfer.

51. His delegation hoped that UNIDO would try to address the issues raised in connection with the precarious economic conditions in Africa by the representative of Sudan in his statement on behalf of the African Group. Pakistan was willing to share its technical expertise in various fields of industrialization within the framework of ECDC/TCDC.

52. **Ms. AGGREY-ORLEANS** (Ghana) said that her Government appreciated the fruitful cooperation which it enjoyed with UNIDO and the assistance which it had received in recent years. In particular, the investment promotion forum held in Ghana in 1995, in collaboration with UNIDO's Investment and Technology Promotion Division and the European Union's Centre for the Development of Industry, had proved highly successful and had contributed in no small measure to the country's efforts in promoting investments and accelerating its industrial development. Her Government was confident that other ongoing and newly approved projects would be equally beneficial to Ghana's development process.

53. The global economic environment had undergone tremendous changes in the last few years, including the liberalization and integration of world trade, the growing trend towards multilateralism and the emphasis on the private sector as the engine of growth. Those developments constituted a major opportunity for the industrialization of the developing countries, which hoped to take advantage of the current economic environment with the assistance and cooperation of UNIDO and the developed countries. Failure to seize such an opportunity would result in further widening of the gap between the industrialized States and the developing world. That opportunity, however, was accompanied by fresh challenges posed by the

emergence of new technologies and the increasing use of telecommunications in the industrial process. Environmental concerns and the search for sustainable industrial development had set new standards for industrial production, which could place further limitations on the accessibility of global markets to the developing countries.

54. While the developing countries as a group had recorded the highest rate of industrial growth in 1995 with a combined manufacturing value added (MVA) accounting for 20 per cent of the world's total, her delegation noted with concern the disparity in those countries' levels of industrial growth. The most disturbing situation was that of sub-Saharan Africa, where two thirds of the world's LDCs were located and whose share in world MVA had dropped significantly over the past 20 years. As the region's Governments strove to achieve adequate industrial growth, they required assistance from the international community in overcoming impediments such as poor infrastructure, insufficient skilled resources, small and inefficient markets, and lack of access to global markets.

55. In the face of the changing industrial environment, UNIDO's response needed to be both timely and focused. The Organization should seek to provide assistance in the design of an appropriate policy framework and capacity-building to enable the developing countries to sustain their industrial growth and expand their share of industrial output. Her delegation therefore welcomed the prioritization of UNIDO's services on the basis of current and future needs and the support requirements of the developing countries and economies in transition. UNIDO's three-pronged focus of its work programme on geographical, sectoral and thematic lines should enable it to effectively address the key challenges of industrial development.

56. Her delegation also commended the Secretariat on the successful implementation of the reform of UNIDO's managerial and administrative processes and on the introduction of a streamlined organizational structure, which had reduced operational costs considerably. It was confident that those measures would enable UNIDO to fulfil its role as a provider of specialized, integrated services to Governments and private sector groups and its function as a global forum for industrial development issues.

57. The reforms needed to be closely monitored so that revisions and adjustments could be made when necessary. UNIDO also had to strive to maintain contact with relevant organizations within the United Nations system in order to ensure complementarity and coordination of programmes for the benefit of Member States.

58. Her delegation had noted the new distinction between UNIDO's global forum function and technical cooperation function. The four areas selected for exploration and further study, i.e., the UNIDO seal of accreditation, the industrial development index, the establishment of industry-related science and technology parks and the elaboration of performance norms and benchmarks for industrial processes, were important initiatives which could greatly facilitate the industrial development processes of many countries.

59. Finally, she wished to commend the Secretariat's role in assisting each developing region, particularly Africa, in meeting some of the challenges involved in its industrialization, and to mention the twelfth meeting of the Conference of African Ministers of Industry (CAMI), held in Botswana in 1995, and the Alliance for Africa's Industrialization, recently launched in Côte d'Ivoire. Ghana would host the thirteenth meeting of CAMI in May 1997 under the theme of "Africa's industrialization and the twenty-first century". It hoped that the second All-Africa Private Sector Forum and the meeting of the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa preceding the CAMI Meeting would make an important contribution to the latter's work, and that the CAMI meeting would map out appropriate strategies for the acceleration of Africa's sustainable industrial development.

60. **Mr. AHMADI** (Islamic Republic of Iran) said that the Director-General's report contained in document IDB.16/18 indicated that UNIDO had virtually completed its reform agenda. However, in the light of Board decision IDB.15/Dec.2 and the guidelines set out in different documents prepared by the Secretariat over the past three years concerning the reform process, he wished to express his delegation's views on the implementation of specific aspects of the reform. To ensure that UNIDO's new management principles were put into practice on the basis of staff empowerment and accountability, result- and action-oriented management, streamlined administrative procedures, reduced spending on unnecessary bureaucratic activities, and facilitated support for programme and project approval, his delegation expected the Organization to improve the balance between the resources allocated to substantive programmes and those allocated to administrative activities, and wished to request the Director-General to expedite the establishment of high-quality programme monitoring and evaluation systems and efficient planning and budgeting mechanisms.

61. Concerning the involvement of the private sector in UNIDO's activities, his delegation had noted with satisfaction the relevant chapters of the Director-General's reports (IDB.16/10 and IDB.16/18), particularly regarding the establishment of national

industrial business councils in some countries. His delegation would like the NIBCs to be extended to more developing countries, including those without UNIDO country offices, such as his own.

62. On the subject of ECDC/TCDC, his Government welcomed the aim to move away from traditional approaches with limited impact and to direct ECDC/TCDC activities towards the development of strategic initiatives with high impact on a large number of developing countries, the formulation of specific programmes in response to the special needs of developing countries, and the provision of support to regional and interregional groupings, such as the Economic Cooperation Organization, in the form of co-sponsoring of technical and economic cooperation programmes on a cost-sharing basis.

63. With regard to UNIDO's Human Resource Development (HRD) programme, as outlined in chapter III of document IDB.16/10, his delegation noted that the HRD concept had finally emerged from its traditional framework and was undergoing reform. The Organization was endeavouring to link the supply elements of training, education and skills planning with the demand elements of demographic patterns, employment and labour market trends, in order to establish a demand-oriented, integrated HRD programme. His delegation believed that, without a reasonable level of skilled human resources in developing countries, the transfer of new technologies could not take place effectively. It therefore looked forward to the results of the Organization's implementation of the new programmatic approach, including the Human Resources Diagnosis and Reorientation Map (HRD-ROM) and the recently introduced Graduate Resource Integration Programme (GRIP), a presentation on which had recently been organized in his country for relevant institutions and concerned parties.

64. On the question of the appointment of new Managing Directors, his delegation was concerned at the failure by the Director-General to implement Board decision IDB.13/Dec.2, which urged him to conduct more consultations with Member States and representatives of regional groups to obtain their views on such appointments. In his delegation's view, no such consultations had taken place at the informative meeting held in that connection in October. Both decision IDB.13/Dec.2 and General Assembly resolution 42/220 stipulated that the principle of equitable geographical distribution should be applied in the recruitment of staff, and General Assembly resolution 42/220 also referred to the principle of rotation in the upper echelons of the Secretariat. Before its restructuring in 1993, UNIDO had had a clear mechanism for the distribution of posts in its upper echelons. However, following the abolition of the posts of Deputy Director-General, that mechanism had not been reviewed, and many developing countries felt the situation currently existing should be remedied. His delegation therefore wished to request the inclusion on the provisional agenda of the next sessions of the Board and General Conference of an item entitled "Geographical distribution of the posts of Managing Director".

65. **Mr. H.-J. LEE** (Republic of Korea) said that, now that the downsizing process initiated following the adoption of the Yaoundé Declaration in 1993 had been completed, the revitalized UNIDO should give priority to its services for developing countries and economies in transition, and in particular the LDCs, aimed at meeting their current and future needs on the basis of careful prior analysis of their situation.

66. With regard to the implementation of the UNIDO reform (IDB.16/18), his delegation wished to commend in particular the Secretariat's efforts to harmonize procedures and to simplify accounting procedures for UCD and IPS offices. Decentralization was the trend in all intergovernmental organizations, and UNIDO should follow that trend through the strengthening of its IPS and UCD networks. His delegation appreciated UNIDO's plans to reorient the field representation programme towards coverage on a subregional basis in view of the limited funding expected to be available in 1998. It hoped that the Secretariat would develop a specific proposal for country coverage and location of subregional field offices.

67. UNIDO's future depended on its staff, and the Secretariat should find appropriate ways to promote the morale and quality of the reduced staff. His delegation welcomed the overhaul of personnel reform procedures, with particular attention to recruitment, accountability, staff rewards and career development. Measures should also be studied with a view to further enhancing the expertise of staff members in order to effectively meet the changing needs of developing countries.

68. Given the essential role of the private sector in the process of today's globalized economy, his delegation supported the strengthening of interaction between UNIDO and the private sector. Also, the Organization's diversified partners could contribute to lessening its financial difficulties. In that connection, his delegation appreciated the recent initiative of establishing an International Business Advisory Council.

69. However, ECDC/TCDC could not be overemphasized, bearing in mind its important continuing role in such fields as investment promotion, technology transfer and human resource development.

The Republic of Korea would continue to participate actively in the ECDC/TCDC programme and hoped that the Secretariat would endeavour to sharpen its focus in those areas where UNIDO possessed superior expertise in comparison with other agencies of the United Nations system.

70. As part of its support for UNIDO's reform and activities, his Government would make a contribution of $250,000 to the Industrial Development Fund for 1997, including $100,000 for the Seoul Investment Promotion Service office programme.

71. **Mr. HOBEICA** (Lebanon), referring to the Annual Report of UNIDO for 1995 (IDB.16/10), said that his delegation agreed that most developing countries and countries in transition continued to face severe challenges with regard to their industrialization, taking into account competitive pressures and technological changes that threatened to widen the gap between the developed and developing countries. That called for an increase in international assistance. The integrated, specialized services that UNIDO could provide to Governments and industry in the developing countries would be extremely useful. The UNIDO reform process, including the defining of new priorities and the re-engineering of managerial and administrative processes, would improve the Organization's effectiveness and enable it to respond more efficiently and quickly to the needs of Member States.

72. In the implementation of the reform of the Organization, administrative decentralization of project implementation was a very important aspect, and his delegation supported the approach involving the delegation of decision-making to UNIDO field offices following their establishment as better staffed subregional offices. His delegation was of the view that the involvement of the private sector in UNIDO's activities was an essential element of the reform process, and had noted the information contained in document IDB.16/18 on the key role played by the private sector in the implementation of technical cooperation programmes. Lebanon appreciated UNIDO's efforts to increase ECDC/TCDC and wished to encourage its further endeavours to that end.

73. Turning to personnel issues, his delegation wished to reassert the importance of recruiting staff on a wide and equitable geographical basis. Some countries, including Lebanon, were underrepresented, and he hoped that that imbalance would be rectified in the future.

74. **Mr. KARINGE GITHINJI** (Kenya) said that his Government attached great importance to industrialization as a means of accelerating countries' economic development with the overall aim of alleviating poverty and enhancing the living standards of their peoples. It aimed to transfer Kenya into a fully industrialized country by the year 2020 and believed that UNIDO could make a significant contribution to the realization of that goal. His delegation therefore hoped that the decisions and resolutions to be adopted by the Board would further strengthen the Organization's capacity to assist the developing countries in their industrialization process.

75. In order to effectively discharge its mandate, UNIDO had to be given predictable budgetary provisions. While his delegation would have wished to see an increment in those provisions, it recognized the difficulties faced by most Member States in their national budgets, and was therefore willing to agree to the zero real growth proposal for the 1998-1999 budget. That proposal had not, however, received the support of all members of the Programme and Budget Committee, and his delegation shared the views expressed by the representatives of Nigeria, on behalf of the African Group, India and the Latin American and Caribbean Group (GRULAC).

76. His delegation had noted with concern that UNIDO's overall financial situation could have severe implications on its delivery capacity, particularly in the area of technical cooperation. Pending the final recommendations of the intersessional, open-ended discussion group on applicable measures to expedite timely payments of assessed contributions, his delegation wished to urge Member States in arrears to make every effort to meet their financial obligations, and appreciated the assurance given by the delegation of the United States of America at the last PBC session of its country's intention to fully honour its financial commitments.

77. With regard to the Industrial Development Fund (IDF), his delegation wished to express its gratitude to Member States which had made valuable contributions to the Fund and to call upon others in a position to make donations to do so. UNIDO for its part should explore other sources of financing in order to augment the Fund.

78. Turning to the Annual Report for 1995, Kenya was dismayed to observe that MVA for Africa had continued to deteriorate. In his delegation's view, UNIDO should continue to focus its technical cooperation services for Africa and the LDCs by engaging in high-impact projects and programmes, particularly in the area of human resource development.

79. Concerning the implementation of the UNIDO reform, his delegation appreciated the efforts of the Director-General to date. The Organization should be encouraged to continue the reform with a view to

making better use of resources in order to achieve greater efficiency, accountability and transparency.

80. With regard to the involvement of the private sector in UNIDO's activities, his delegation hoped that the business council initiative would include Africa, in order to mobilize more investment resources for the continent's industrialization.

81. Kenya welcomed UNIDO's proposed inputs in ECDC/TCDC and, in particular, the South-South Conference on Trade, Investment and Finance due to take place in Costa Rica in 1997.

82. While the industrialization of Africa was one of UNIDO's seven thematic priorities, the overall performance of the IDDA programme was well below expectations. His delegation hoped that the recent launching of the Alliance for Africa's Industrialization as a dynamic mechanism for the attainment of the goals and objectives of the Second IDDA would yield tangible results. For that to be achieved, however, an innovative and pragmatic approach to the management and financing of the Alliance would have to be devised.

83. Concerning industrial investment promotion, his delegation supported the proposed framework for further expansion of the IPS network, especially with regard to the involvement of Governments and civil society, as outlined in document IDB.16/11.

84. His delegation saw field representation as a useful catalyst in the extension of UNIDO's services to host countries. The difficulties affecting field representation were compounded by the progressively decreasing sector support funding from UNDP in anticipation of the termination of such funding at the end of 1997. Kenya supported the approach proposed in that connection by the Director-General in his report.

85. **Mr. BAJOWA** (Nigeria) said that his delegation had taken note of the information on the financial situation of the Organization contained in document IDB.16/7. Nigeria had always maintained that UNIDO required a strong financial base in order to be able to perform, and it therefore appealed to all Members to honour their financial obligations. His Government had paid its assessed contribution in full for 1996.

86. The past year had witnessed significant changes in the life of the Organization as well as in the world, affecting primarily the developing countries and particularly the continent of Africa, where millions of inhabitants continued to suffer the effects of failed socio-economic policies that had been adopted in the hope of achieving a good level of industrial development through the provision of the necessary enabling environment. Africa still recorded very negative growth in its industrial output, its share of MVA stagnating at 0.8 per cent, and its share of total foreign direct investment of $235 billion standing at $3 billion only. His delegation was convinced that that situation would improve with the support of Africa's developmental partners and the continued assistance of UNIDO. It therefore noted with keen interest the information contained in paragraphs 22 to 27 of the Annual Report of UNIDO for 1995.

87. With regard to the IDDA programme, his delegation appreciated the increase in resources allocated but noted that not enough tangible results had been recorded. It wished to suggest that justification for future expenditure on the programme should be measured against progress achieved in the field. It would be appreciated if a list of projects approved and those under consideration as well as projects not approved could be made available to enable Member States to compare the figures with the results achieved, since the IDDA continued to be UNIDO's only visible programme which directly addressed the situation of Africa.

88. Nigeria had continued to implement policies which would facilitate private-sector investment and promote productivity and efficiency in the country's industrial enterprises and manufacturing processes, and to pursue an industrial policy which placed responsibility for creating an enabling environment on the Government. It had accordingly established a national investment promotion commission to provide the necessary conditions for the free flow of foreign investment. It had sought UNIDO's assistance in institution-building and support in the area of investment promotion strategy. In its efforts to further promote foreign direct investment, Nigeria had continued to enter into bilateral investment promotion and protection agreements with interested countries. As part of its efforts to achieve a strong industrial base, his Government had recently launched a programme entitled "Vision 2010", focusing on gross domestic product, literacy levels, employment prospects, inflation control, health service delivery, agriculture, industrialization and the development of science and technology.

89. Nigeria had continued to support industrial cooperation among African States and encouraged Africa's exploitation of its comparative advantage through concentration on agro-allied development. Its continued support for the Africa Regional Centre for Engineering Design and Equipment Manufacturing (ARCEDEM) included the provision of infrastructural facilities. It wished to call on all other African States to pay their contributions to the Centre in order to justify its establishment.

90. His Government welcomed the recent launching of the Alliance for Africa's Industrialization as a dynamic mechanism for the attainment of the goals of the IDDA, and called upon other Member States to give the Alliance the support it deserved. His delegation hoped that the Director-General would be able to mobilize the necessary resources to sustain the Alliance. In that connection, it wished to applaud UNIDO's collaboration with various international institutions and the recently created International Business Advisory Council.

91. His delegation had noted the information provided on the Industrial Development Fund and other voluntary contributions (IDB.16/3 and IDB.16/10/Add.1). The Fund continued to be a very important source of financing for UNIDO's technical cooperation activities, and his Government wished to further encourage Member States to increase their contributions to it. Nigeria was currently reviewing the possibility of its further participation.

92. UNIDO's field representation programme had assumed significant importance in the overall achievement of the Organization's objective of the rapid industrialization of the developing countries. In order to assist further in the attainment of that goal, the UCD programme needed to be strengthened. Following the posting of UCDs to Nigeria, UNIDO's activities in the country and the interest of the Nigerian private sector in UNIDO's technical assistance and advisory services had increased. His Government believed that the tempo could be sustained and was confident that the role of the UCD would be recognized and the support of UNIDO Headquarters reinforced. His delegation believed that the UCD programme should be adequately funded, and it accordingly welcomed the proposed framework for 1997-1998, as contained in document IDB.16/16. His Government had continued to share the cost of maintaining the UCD at Lagos.

93. His delegation commended UNIDO's efforts in expanding industrial investment promotion services as one of the most effective ways of furthering the industrial development of developing countries. However, it believed that greater attention should now be given in that connection to sub-Saharan Africa, as a major recipient of the Organization's services, and wished to reiterate its call for investment appraisal and promotion activities to be expanded through the development of investment projects and databases in order to enable developing countries to have access to international pre-investment studies and thereby improve their industrial capabilities. UNIDO's collaboration with his country in the area of investment promotion included the participation of a member of the Nigerian Ministry of Industry in the activities of the IPS office in Paris and assistance in the publication of an investment promotion guide as part of a compendium of such guides for other African countries.

94. His delegation welcomed UNIDO's activities in support of the System-Wide Action Plan on Drug Abuse Control and would continue to encourage the Organization's coordination with other agencies of the United Nations system, in particular UNDCP. His Government also wished to request UNIDO's continuing assistance in strengthening and adapting internal industrial capacity with a view to reducing drug abuse in the developing countries.

95. Nigeria wished to further encourage UNIDO's role in promoting industrial development in the LDCs. It supported the Organization's initiatives for improving the status of women and their industrial competitiveness and sought its further support in that connection, including assistance in the assessment of the training needs of women entrepreneurs, quality improvements and capacity-building in the food-processing industries and packaging of perishable goods.

96. His delegation had repeatedly stressed the importance of the equitable geographical distribution of posts in the Secretariat, without sacrificing the principles of merit and efficiency. However, Africa, and particularly Nigeria, continued to be underrepresented in the various staff categories within the Organization. He trusted that the situation would be rectified as soon as possible. The principle of equity should be allowed to prevail.

97. The Director-General's recent visit to Nigeria had further demonstrated the cooperation between UNIDO and his country. His Government had initiated action on the proposed areas of cooperation discussed during the visit and trusted that UNIDO would facilitate the mechanisms for the implementation of all the agreements reached.

98. **Mr. JEDDA** (Tunisia) said that the current session of the Board was being held during a crucial phase in the life of the Organization, which had just celebrated its thirtieth anniversary; however, it could also prove to be a historic phase if the reforms undertaken were completed as soon as possible, in the interests of stability.

99. Before commenting on specific agenda items, he wished to emphasize that, in view of its limited financial resources, UNIDO should make a continuous, sustained and multidimensional effort to mobilize funds. In that context, UNIDO should concentrate its activities solely on the thematic priorities established and exclude all other activities. His delegation proposed the

establishment of a think tank and/or informal consultation group to examine the possibility of reducing the number of priorities, to promote efficiency and avoid duplication with other international organizations.

100. Secondly, the Secretariat should carefully manage its financial resources in order to meet the needs of the developing countries and the LDCs.

101. Turning to agenda item 3, he noted that the Annual Report for 1995 showed considerable improvements as compared with previous reports. Statistics and data on projects and sources of financing, which had previously been presented in conference room papers, sometimes produced only on request, would henceforth be an integral part of the Annual Report, so as to promote the transparency of the Organization.

102. With regard to the implementation of the UNIDO reforms (agenda item 4), his delegation recognized that tangible results had already been achieved, for example in the definition of priorities and the improvement of the quality of activities. UNIDO seemed to be on the right track. His delegation had noted with satisfaction the growing effort to improve quality in the implementation, follow-up and evaluation of projects and considered that an attempt should be made to produce quantifiable data concerning all the pertinent activities of UNIDO.

103. Referring to agenda item 5 (c) ("Report of the External Auditor, financial performance report and programme performance report for the biennium 1994-1995"), he said that his delegation welcomed the more analytic and explicit style of the External Auditor's report, which threw new light on the activities of the Organization, its internal management and its finances.

104. His delegation had also noted the recommendations addressed to the Secretariat in that report, aimed at improving transparency and the fulfilment of responsibilities towards the Member States. Such recommendations covered the guidelines concerning the preparation of country programmes, which should be implemented as soon as possible, standards for the implementation of projects, and the duties of project managers.

105. Concerning the Second Industrial Development Decade for Africa, his delegation welcomed the launching of the Alliance for Africa's Industrialization as a dynamic mechanism that would give new impetus to the implementation of the IDDA programme. He also welcomed the intention to devote additional efforts in the coming months to mobilizing the necessary resources for the Alliance among partner countries.

106. With regard to item 9 of "Industrial investment promotion", his delegation had noted the Director-General's report and welcomed the manner in which UNIDO's investment promotion programme had been reoriented so as to better serve the interests of both developed and developing countries. It was only by permanently improving the quality of such services that UNIDO would retain its usefulness and meet the various needs of the Member States.

107. His delegation wished to benefit from the services of IPS offices and had already submitted a request to UNIDO for the establishment of a UNIDO investment promotion office in Tunisia. However, the proposed budget for the office was still high. His delegation remained favourably disposed to hosting the IPS office in the Foreign Investment Promotion Agency in Tunis, which would take responsibility only for the operating costs of the office, including the remuneration of a senior manager and the necessary local staff. It was understood that the office should come under UNIDO and be an integral part of the IPS network. His delegation hoped that the project would take concrete shape in the near future and contribute to mobilizing the necessary investment for the economic development of his country and raise the level of investment in the African continent.

108. **Mr. CELSO de OURO-PRETO** (Brazil) expressed his support for the statement made at the previous meeting by the Argentinian delegation on behalf of the Latin American and Caribbean Group.

109. Brazil approved of the reform introduced; the Organization might have to manage with a smaller staff but must also be imaginative enough to change working systems.

110. Industrialization in developing countries had become more complex in a world economy that was more and more globally oriented. On the other hand, industry was still one of the basic elements in the struggle of developing countries for a better future.

111. UNIDO had to face different kinds of problems in different developing countries. Some of those countries, including Brazil, already had a fairly large industrial structure. In such countries, UNIDO's action would have to be specially imaginative; it should maintain a dialogue with societies that had already elaborated industrialization strategies but still faced the problems of the need for modern technology, including clean technology, and had to seek investments and adapt small enterprises to a modern economy.

112. The participation of Latin America in UNIDO's programmes and projects must not decrease. Latin

America was a very important part of the developing world, making major contributions to the Organization. Latin America was engaged in a strong industrialization effort and was raising its degree of industrial integration.

113. **Mr. BENATTALLAH** (Algeria) said that, before taking up the items on the agenda, he wished to comment on the news reported in the press on the previous day that an important Member State of UNIDO, a Member of the European Union, planned to withdraw from the Organization. That extremely important question would doubtless deserve to be evaluated by the Board before it completed the work of its current session. In view of the implications of such a withdrawal, his delegation asked the Secretariat to present its preliminary comments on the implications of such a withdrawal in terms of financial resources and technical cooperation.

114. His delegation was satisfied with the new presentation of the Annual Report (IDB.16/10 and Corr.1), which was clear and facilitated analysis. He also noted an optimistic tone which reflected a renewal of confidence after the difficulties of the recent past. However, it was necessary not to give way to a feeling of self-satisfaction. Efforts were still needed to mobilize resources and ensure efficient implementation of technical cooperation, especially in Africa. He believed that it would still be possible to rationalize operating costs in the framework of present priorities.

115. Regarding the regional dimension, action taken to review field representation was on the right track; the redeployment of Headquarters posts to the field should be encouraged, particularly in Africa.

116. He noted the amount devoted to technical cooperation projects for Africa in 1995 but there was no indication whether the figure represented progress or a decline. He asked for clarifications on that point.

117. Concerning the industrial sector programme review missions to African countries, the report mentioned the aims of the missions but did not state what the outcome of the missions had been or describe the follow-up and the expected results. He asked for information on those points.

118. With regard to IDDA resources, he noted that only $2.7 million out of the $10.5 million for the 1994-1995 biennium had been committed in 1994; it was not made clear whether the remaining $7.8 million for 1995 had been committed and what projects had been implemented. He also wondered whether it was desirable to finance the organization of certain meetings and related travel out of IDDA funds, to the detriment of technical cooperation. A global and thorough evaluation of the implementation of the programme concerned for the seventeenth session of the Board would be welcome.

119. With regard to chapter VII of the Annual Report on quality assurance and evaluation, he noted that UNIDO was satisfied with its performance and services. He was pleased to note that UNIDO's concepts and methods for the quality management of cooperation had been found to be at the forefront.

120. With regard to the implementation of reforms, his delegation supported the measures described that aimed to consolidate the reforms. It supported the attention paid to the private sector, technology-oriented activities, investment promotion programmes and the environment programme. Regarding consultations with Member States, the report mentioned close contacts with Member States regarding Managing Director posts for three specific divisions. His delegation had no knowledge of frequent and close contacts on that question with the members of the African Group and the Arab Group.

121. On the Alliance for Africa's Industrialization, he said that, although his delegation noted that it had not been formally approved by the Board, it welcomed the idea, which had been approved by a summit meeting of the Organization of African Unity (OAU). He also thanked the Ivorian Government for its great contribution to the promotion of industry in Africa. However, on studying the concept of the Alliance, his delegation had the feeling that it was an ambitious project that might overstretch the capacity and resources of UNIDO, both current and future. In the long run it might do disservice to UNIDO's image if the hopes raised in Africa were not realized owing to lack of resources.

122. His delegation also considered that relations between the Alliance and IDDA were artificial because their objectives were almost identical. It would perhaps have been better to invest the $500,000 involved in current and tangible projects. The challenge would be to find the necessary funds in a context of budgetary austerity and scarcity of resources. Nevertheless, he considered that everything should be done to honour commitments towards Africa.

123. Regarding field representation, his delegation approved, on the whole, the orientation presented in document IDB.16/19. However, it wished to see the establishment of close consultations with Member States on the implementation of the scheme. Algeria was making a contribution towards financing the local costs of the office in Algiers.

124. With regard to agenda item 14 ("Approval of appointments of Managing Directors"), that question raised two issues. Arab and African underrepresentation

at the top level of responsibility had become accentuated in the course of the reforms. Secondly, the Constitution gave the Board the right to be consulted on certain appointments. The reform had created a legal void and the Secretariat's response did not take into account the constitutional problem. Member States might consider the establishment of a formal mechanism for consultation between the Director-General and the Board on the question of the appointment of Managing Directors. He would be grateful for the opinion of the Legal Adviser on that point.

125. **Mr. DE MARIA Y CAMPOS** (Director-General) thanked all delegations for their statements. He said that he had been glad to hear support for the UNIDO reforms from all regions and practically all countries. UNIDO was proud of what it had been doing; though there was always room for improvement, it would continue to make every effort to increase its efficiency in complying with the Board's mandate.

126. He had been happy to hear that practically all delegations recognized the importance of the International Business Advisory Council, which should play a very important role in linking UNIDO with the private sector. He hoped it would help promote the idea of establishing councils at national level, a process that had already begun. It had so far not been possible to obtain representation from all countries in the world but he hoped that the seven entrepreneurs appointed by IBAC to act as a kind of focal point and steering committee would help UNIDO to propose ways of ensuring continuous participation, good geographical representation and appropriate links with national councils.

127. He welcomed the overall recognition of the progress that had been made with regard to personnel policies, including recruitment, performance appraisal and career development. Improvements were possible and the task was indeed a never-ending one. A group had been established with the Staff Council and good progress was being made. He hoped to complete the terms of reference for new posts so that functions would be clearly stated and staff would know against what objectives they were being assessed. He expected to make progress on that front and to be in contact with Member States.

128. A question had been raised concerning consultations on the appointment of Managing Directors. He believed he had complied with his mandate in that matter. The question would be discussed later under agenda item 14. Nevertheless, he had been somewhat surprised to hear the representative of Algeria question whether there had been consultations with African countries. Consultations always took place not only in Vienna but also in Bonn, Geneva and other places, particularly during his numerous missions to Africa. One problem in Vienna was the very low level of representation of African States in the Austrian capital. He had reserved the post of Managing Director of the Country Programmes and Funds Mobilization Division for an African candidate, and had invited suggestions for suitable candidates at a meeting of African Ministers of Industry in Abidjan. The African Group would be consulted when the closing date for submission of applications had passed and appropriate candidates were available.

129. Numerous meetings had been held with the Arab Group and would continue to take place, particularly with regard to the post of Director of the Arab Countries Bureau.

130. He had noted the remarks of a number of countries on UNIDO's programmes and priorities. Since before the Yaoundé General Conference session, special groups had been established to look at the question of priorities. More meetings had perhaps been held on that matter than on any other topic. It should be remembered how difficult had been the long process of setting priorities taking into account the varying needs of Member States. Seven fundamental priorities had finally been identified, taking into account areas where UNIDO had a competitive advantage. Time had to be allowed for priorities to show results. At the time the priorities had been defined, he had invited Member States to help provide the necessary in-house technical capabilities and resources to pursue the priorities. Unfortunately, support had not always been forthcoming. Moreover, while he had no objection to the establishment of consultative groups, acceptance of proposals such as that put forward by the delegation of Tunisia would mean that UNIDO would have to start to look again at the priorities that had been established the previous year, delaying matters further.

131. He agreed that it was necessary to complement the reform process with appropriate mechanisms for the coordination and management of the technical cooperation process. Such mechanisms had been established and were already working, and he hoped to present results shortly. UNIDO had established a permanent mechanism for information to Member States regarding UNIDO projects and he hoped that those mechanisms would soon be operating to full satisfaction. However, as had been said, inertia meant that some problems could not be solved overnight. They required a change of culture, which was being encouraged; he was confident of success.

132. He welcomed the support expressed for the Alliance for Africa's Industrialization. If the Alliance

was to enhance the objectives of the IDDA, it was necessary to review what had been done in the Decade so far. UNIDO was just starting the mid-term review of the IDDA. It was a fundamental necessity to try to establish a good platform for future work. IDDA resources should permit an updating and enhancement of IDDA activities to ensure that the ownership of the initiative by African countries was fully consolidated.

133. With regard to South-South cooperation, UNIDO was preparing a new programme which should be ready for take-off in January. The Group of Fifteen meeting in Harare had specially mentioned UNIDO as an organization that had provided an input to its meeting which had been very welcome. Industrialization could be a field for reawakened interest in South-South cooperation, and even "North-South-South" cooperation, of which there were already encouraging examples.

134. In reply to another question raised, he said that UNIDO was doing its best to improve coordination and cooperation with other organizations. The agreement recently signed with UNDP should help in that process. As the specialized agencies saw it, UNDP might not be satisfactorily fulfilling its role of financing their operations. Member States could use their influence in that direction in the decision-making organs of UNDP.

135. He noted that a number of countries were interested in the possible establishment of an international centre for hydrogen energy technology, particularly the Russian Federation. The project still had to be analysed and negotiated before a successful conclusion could be reached.

136. On investment promotion, he would merely state at the present juncture that he was happy with the results achieved so far in that promising area, which required special efforts in cooperation with IPS offices and with the support of Member States.

137. Several representatives had commented on the question of human resources development. He agreed that great attention should be devoted to that question but regretted that UNIDO was not receiving as many pledges as it would like. The human resources development programme had been redesigned and he trusted that UNIDO would receive the confidence and support of Member States.

138. He noted the general approval of UNIDO's activities with regard to the environment. The Romanian suggestion for a network and coordination centre for cleaner production in countries surrounding the Mediterranean and the Black Sea had aroused great interest. UNIDO had been undertaking the necessary studies and basic consultations with regard to that idea, which exemplified the activities that UNIDO could undertake, given the support of Member States. UNIDO, for its part, was mobilizing all efforts in coordination with other international organizations and financial institutions.

139. The External Auditor, in his report, had pointed out possibilities for improvement. Action had already been undertaken in consequence, including work on the elaboration of manuals. He hoped that the new mechanisms just established for the follow-up of the technical cooperation process would yield valuable results.

140. The representative of Algeria had referred to the possibility of the withdrawal of Germany from UNIDO. He himself had little information on that point and could not yet make a formal comment. He would merely say that, even if it were merely a desire expressed by the competent Minister, it gave grounds for concern. The Group of 77 had stressed the need to support UNIDO now that the reform had taken place. It was essential to have the support of all countries, particularly the developed countries. He hoped that the suggested withdrawal would not take place. Germany had given UNIDO very important support in the past and he hoped that such support would continue.

The meeting rose at 1.20 p.m.

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Sixteenth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 November 1996, at 3 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
-	Statement by the President of the UNIDO Staff Union	1
5	Report of the Programme and Budget Committee:	
	(a) Implementation of the programme and budgets, 1996-1997	
	(b) Financial situation of UNIDO	
	(c) Report of the External Auditor, financial performance report and programme performance report for the biennium 1994-1995	
	(d) Financial regulations	2 - 25
	(e) Industrial Development Fund and other voluntary contributions	
	(f) Ceiling of assessments	
	(g) Withdrawal of the United States of America from UNIDO	
10	Medium-term programme framework, 1998-2001 (including general ceiling for the biennium 1998-1999)	

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Distr.: 23 December 1996

CONTENTS (*continued*)

Agenda item		*Paragraphs*
6	Second Industrial Development Decade for Africa	)
7	Industrialization of the least developed countries	) 26 - 182
8	Field representation	)
9	Industrial investment promotion	)
11	Joint Inspection Unit	183 - 185
12	UNIDO contribution to the System-Wide Action Plan on Drug Abuse Control	186 - 190
13	Personnel matters	)
14	Appointment of Managing Directors	) 191 - 226

The meeting was called at order at 3.25 p.m.

STATEMENT BY THE PRESIDENT OF THE UNIDO STAFF UNION

1. **Mr. ANESTIS** (President, UNIDO Staff Union), having expressed the staff's appreciation of the Member States' cooperation with the Organization, said that the staff of UNIDO had recently, and on an exceptional basis, addressed a letter to all Member States, in a consolidated effort to reiterate their unconditional belief in the Organization's work and mission. UNIDO was ideally placed to contribute to the implementation of the new global cooperation. Its main assets were its skilled workforce, strong institutional structure and clear set of priorities. Its staff contributed daily to the development of the industrial sector on a global scale, something that was essential to ensuring and sustaining the socio-economic development of developing countries and countries with economies in transition. The staff had served and continued to serve UNIDO remarkably well. The Staff Council would continue to seek to ensure the equal treatment of all staff. Given the tools and resources, UNIDO had the ability to fulfil its mission but it had to receive active acceptance and support. Member States must provide further guidance and advice on the work to be done by UNIDO in serving the needs of its constituents. Finally, the necessity of remaining united was stressed.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:

(a) REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME AND BUDGETS, 1996-1997

(b) FINANCIAL SITUATION OF UNIDO

(c) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1994-1995

(d) FINANCIAL REGULATIONS

(e) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

(f) CEILING OF ASSESSMENTS

(g) WITHDRAWAL OF THE UNITED STATES OF AMERICA FROM UNIDO

(IDB.16/2, IDB.16/3, IDB.16/4, IDB.16/5 and Corr.1, IDB.16/6, IDB.16/7, IDB.16/8, IDB.16/9, IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/21, IDB.16/22, IDB.16/24; IDB.16/CRP.2, IDB.16/CRP.6)

MEDIUM-TERM PROGRAMME FRAMEWORK, 1998-2001 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1998-1999) (IDB.16/23 and Add.1)

2. **Mr. INGRAM** (Officer-in-Charge, Division of Administration), introducing agenda item 5, said that the report of the Programme and Budget Committee contained in document IDB.16/24 followed the standard format. The body of the report covered agenda items 4 to 14 inclusive and related items had been grouped within sections of the report where appropriate. The two annexes to the report contained statements by delegations and a list of documents submitted to the twelfth session of the PBC respectively.

3. Introducing item 10, he said that the revised draft medium-term programme framework, 1998-2001, as contained in IDB.16/23, had been submitted to the Board in accordance with decision IDB.14/Dec.27. Although the availability of resources had changed significantly following the withdrawal of the United States of America from the Organization, UNIDO had been able to respond to the budgetary shortfall in such a way as to essentially maintain the delivery of substantive services. That was an important assumption in the revised medium-term project document which had been adjusted to reflect important new developments including the adoption by UNIDO of the new thematic priorities. It now included a section on the Organization's technical cooperation function and described some important programmes, including the integration of women in industrial development, private sector development and economic and technical cooperation among developing countries, which cut across all the thematic priorities. The document also set out UNIDO's regional priorities in the medium term and presented the Organization's approach to financial resource mobilization. It also contained a section on field representation, which was to be seen in conjunction with document IDB.16/19.

4. **Ms. DOBREVA** (Bulgaria) said that the successful development and implementation of the medium-term programme framework (1998-2001) would help UNIDO to respond to the new industrial challenges and the needs of the developing countries and the economies in transition. The programme should be in line with UNIDO's main goals and give special emphasis to areas including investment promotion and environmentally-sustainable industrial development.

5. The restructuring of industry in Bulgaria was an important aspect of its economic reform. Particular attention was being paid to the objective of developing and financing a strategy for structural reforms, and attracting foreign and local investment was a priority.

Since the launch of the reform, the economic structure had changed significantly. The improved terms of trade, liberalization of the foreign trade regime and harmonization of foreign trade regulations with European Union standards had created favourable conditions for Bulgarian industries. In 1995, more than 50 per cent of Bulgaria's exports had gone to countries in Western Europe. Bulgaria had also finalized its negotiation process for accession to the World Trade Organization (WTO).

6. The lack of investment was a major problem in Bulgaria's industrial development and the construction of many industrial units had been frozen due to lack of funding, even though the equipment and machinery had already been delivered. Furthermore, a number of industries, including the chemical industry, agro-based industries, electrical engineering and electronics needed to update their equipment. Economic and technical expertise was proving increasingly useful in improving the policy-making capacity of several of the leading branches of industry in Bulgaria. The scope of the activities and projects that could be considered jointly by UNIDO and individual Member States within the framework of the medium-term programme was extremely broad.

7. Member States should continue to make every effort to meet their financial obligations. Despite Bulgaria's enormous financial difficulties, it had paid its assessed contribution for 1996 in full and on time. With regard to financial resource mobilization, she said that special emphasis should be placed on expanding cooperation between UNIDO, recipient countries, donor States and specialized funding agencies. In Bulgaria's understanding, the effect of UNIDO's cooperation with recipient countries would be more efficient if UNIDO, within the framework of the medium-term programme, refined its performance in the full closed cycle of industrial services. Resources released from low-priority programmes could be considered for reallocation to facilitate the industrial development of States facing specific economic problems linked to the implementation of Security Council trade and economic sanctions. Finally, she assured the Board of Bulgaria's continued cooperation with UNIDO in furthering industrial development and economic prosperity.

8. **Mr. HOBEICA** (Lebanon), speaking on item 5 (e) ("Industrial Development Fund and other voluntary contributions"), said that it was clear that extrabudgetary funding was essential to enable UNIDO to assume its responsibilities and cope with the established priorities. Donor countries should be called upon to increase their contributions to the Industrial Development Fund to ensure the implementation of agreed programmes, and it might be necessary to adopt new approaches to arouse the interest of industrial countries. He supported the priorities adopted and the attention that it was proposed to pay, *inter alia*, to the promotion of global economic integration, environmental protection and the development of international competitiveness. His country was confident that focusing on the thematic priorities would encourage donor countries to increase their participation and would improve funds mobilization.

9. On item 10 ("Medium-term programme framework, 1998-2001"), he said that Lebanon welcomed the emphasis being given to UNIDO's dual role as a global forum for industrial development and a provider of integrated technical cooperation services. It supported the proposals of the Director-General set out in document IDB.16/23, particularly those relating to the strengthening of the global forum function and the provision of integrated services.

10. **Mr. PUIG PINO** (Cuba) said that the celebration of the thirtieth anniversary of UNIDO had been marred somewhat by the uncertainty surrounding the Organization's future and the prospects for industrial development. His delegation had thought that Member States could now congratulate themselves on the reforms implemented and concentrate on seeking the best ways of using the Organization's scarce financial resources. However, it was concerned to note that some Member States considered that the Secretariat's efforts to implement the reform did not go far enough, in spite of the 25 per cent reduction in the budget following the withdrawal of the major contributor, the heavy staff cuts, and the reduction of approximately 50 per cent in field representation, whereas the majority of Member States wished to see such representation increased. The Organization was now being asked to maintain a ceiling lower than zero real growth in preparing the draft programme and budget for the 1998-1999 biennium, without reducing its substantive programmes and activities.

11. His delegation did not share the view that the Organization's budget should continue to be reduced. UNIDO should continue to make savings and improve its structure, if the savings could be used to benefit the Organization's technical cooperation programme and other substantive activities. His delegation therefore supported the suggestion that there should be more flexibility in the use of funds, including unutilized balances from previous bienniums. That would enable UNIDO to continue to strengthen the reform process and ensure that it had at its disposal all the financial resources to promote industrial development.

12. **Mr. SHER** (Observer for Israel), having expressed his country's strong support for UNIDO's

specific actions in the newly industrialized developing countries, said that the development of industrial activities in rural regions was particularly important for economic, social and ecological reasons. It would help to slow down the rural exodus to urban centres, and would prevent concentrated pollution in industrial zones.

13. Israel was ready to become more involved in UNIDO's activities in the newly industrialized developing countries and, while welcoming the Organization's cooperation with the Golda Meir Mount Carmel International Centre for the Promotion of Women and Community Services in Israel, he would like to see UNIDO more actively involved in promoting industrialization in the region. The interest already shown by UNIDO in participating in the establishment of industrial parks should be developed.

14. Finally, he informed the Board that Israel had already paid its annual contribution for 1996 in full.

15. **Mr. CHAIRAT** (Observer for Thailand), speaking on item 5 (e) ("Industrial Development Fund and other voluntary contributions"), said that the approach to the programming of the Fund for 1997 and 1998 indicated in chapter II of document IDB.16/3 was appropriate under the current circumstances. Thailand fully supported the suggestion of the more developed countries helping their less developed neighbours within the context of South-South cooperation, and his Government had recently endorsed the establishment of the Indochina Fund in the 1996-1997 fiscal year, with the amount of 500 million baht (approximately $20 million) to be used to enable Thailand to assist its neighbours. The government budget would be allocated to the Fund annually.

16. With regard to voluntary contributions, Thailand had, for many years, been making small annual contributions to the Industrial Development Fund. In response to the appeals for more contributions from the more developed of the developing countries to support South-South cooperation, and in accordance with his Government's policy of helping its less developed neighbours, Thailand would increase its contribution to IDF. In 1997, its contribution would be $100,000, and it hoped to be able to increase its contribution in the future.

17. **Mr. SUWANDI** (Indonesia), speaking on item 5 ("Report of the Programme and Budget Committee"), expressed his delegation's appreciation to the External Auditor for her comprehensive report. He was pleased to note that the Director-General had responded positively by addressing some of the External Auditor's recommendations. He also welcomed her comments on programme performance for the biennium 1994-1995.

18. With regard to the financial regulations, his delegation shared the view that UNIDO should be more flexible in order to discharge its mandate. Further consultations would be necessary in order to consider thoroughly the proposed amendments to the financial regulations submitted by the Director-General.

19. As to the withdrawal of the United States of America from UNIDO, he had noted the intention of the United States of America to pay its arrears. He also welcomed the fact that the Director-General would hold discussions with the United States authorities.

20. Turning to item 10, he expressed the hope that the medium-term programme framework would be approved by the General Conference at its forthcoming session. However, his delegation trusted that the negative real growth of the budget for the 1998-1999 biennium would not constitute a precedent for the future. Finally, he welcomed the Director-General's intention to establish a revolving fund for sales publications, which would enhance the Organization's role as a global forum for industrial development.

21. **Mr. ADAM** (Belgium), speaking on item 5 (e) ("Industrial Development Fund and other voluntary contributions"), said that his Government had decided to focus its international cooperation on a small number of agencies. Belgium would, subject to parliamentary approval, make a contribution of 20 million Belgian francs to finance UNIDO projects in 1997. Further details concerning the allocation of the funds provided to specific projects would be discussed at a later date where necessary.

22. **Mr. INGRAM** (Officer-in-Charge, Division of Administration), responding to the discussion on items 5 and 10, said that the comments made by the Director-General in the Programme and Budget Committee covered some of the points raised at the present Board meeting. He welcomed the support that had been given to the medium-term policy framework, and expressed the Secretariat's gratitude to Thailand and Belgium.

23. **Mr. FAY** (Hungary), speaking on agenda item 10 ("Medium-term programme framework, 1998-2001"), said that it was important to maintain the basic substantive delivery capacity of UNIDO, and stressed the significance of UNIDO's global forum function for countries in transition.

24. The modernization programme in Hungary paid particular attention to accelerating the country's integration in the mainstream world economy and

improving business competitiveness. The country's industrial policy emphasized issues including the development of a competitive industrial structure, the importance of economic growth and the participation of foreign working capital. In that regard, UNIDO's cooperation with Hungary was of particular significance for the promotion of sustainable economic development. The framework and extent of that cooperation had recently been reviewed and UNIDO and the Hungarian authorities had agreed to increase their cooperation, which might take the form of seminars, expert group meetings and training programmes, and concentrate their activities on subprogrammes including privatization in transition economies, global competitiveness through modern industrial management methods and clean production technologies for environment protection. The implementation of the activities would be assessed within the framework of the Joint Hungary/UNIDO Committee.

25. Finally, it was the view of the Hungarian delegation that the medium-term programme framework would further increase the effectiveness of UNIDO's services.

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.16/15, IDB.16/16 and Add.1)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.16/13)

FIELD REPRESENTATION (IDB.16/19)

INDUSTRIAL INVESTMENT PROMOTION (IDB.16/11)

26. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), introducing agenda item 6, said that document IDB.16/15 updated document IDB.15/6 submitted to the Board at its previous session, and provided information concerning the activities undertaken by the Secretariat from May 1996. In addition, IDB.16/16 contained information regarding the preparations for and the launching of the Alliance for Africa's Industrialization.

27. The IDDA programme for the 1996-1997 biennium fell within the general framework of UNIDO's thematic priorities, and the preparation of the programme had also taken account of the programme of action adopted by the Conference of African Ministers of Industry (CAMI) at Gaborone, Botswana, in 1995. Emphasis had been given to questions and programmes concerning, *inter alia*, the definition and implementation of industrial development policies and strategies. Furthermore, special programming "windows" had been introduced to allow better allocation of resources and ensure continuity at the project impact level. It had also been decided that 50 per cent of programmable resources for the 1996-1997 biennium would benefit LDCs.

28. Despite UNIDO's financial difficulties, the overall IDDA allocation had not been reduced. The Secretariat would seek to ensure complementarity between the IDDA programme and the Alliance initiative.

29. Turning to agenda item 7, he said that industrialization of the least developed countries received high priority among UNIDO programmes. Delivery of technical cooperation to LDCs in priority programmes was at its highest level since 1993. UNIDO had made every effort to increase resource mobilization for the development and implementation of priority programmes and projects. At the end of October 1996, a total of $9.2 million had been approved for LDCs under all sources of funding, representing an increase of 37 per cent compared with the same period in 1995.

30. The decision of the Programme and Project Review Committee to allocate $5.7 million under IDDA resources to the LDCs in the African region was an unprecedented one and an important step towards implementation of Board decision IDB.15/Dec.7. The Alliance for Africa's Industrialization would also pay special attention to the LDCs in the African region.

31. A monthly report on the programming and financing of technical cooperation in the LDCs was being produced in order to draw attention to the priority to be given to the LDC programme and the available resources. In addition, all programme managers in UNIDO had been asked to clearly specify the LDC components in regional and global projects. Focal points had also been established in the different divisions in order to facilitate the preparation of LDC programmes and projects.

32. Turning to agenda item 8 concerning field representation, he noted that the Member States had repeatedly stressed the need for a strong UNIDO presence in the field and that the Secretariat had examined that question in detail in order to explore ways and means of strengthening such a presence at a time of diminishing resources and the imminent withdrawal of UNDP funding.

33. The new structure outlined in the Director-General's report (IDB.16/19) would enable the Director-General to develop, in consultation with Member States, a specific proposal for country coverage and siting of subregional field offices and, subsequently, to gradually implement the new approach over the following two years, ensuring a smooth transition.

34. As of 31 July 1996, UNIDO was represented in the field by 40 offices in Africa, four in the Arab States, nine in the Asia and Pacific region, two in Europe and the newly independent States of the former Soviet Union (NIS) and 11 in Latin America and the Caribbean. A total of 91 Professional staff members were in the field, including 26 UCDs, one UNIDO National Director (UND), eight National Programme Officers (NPOs) and 56 Junior Professional Officers (JPOs) and associate experts.

35. At a time when the demand for UNIDO services was increasing, field representation was severely hampered by the financial uncertainties due to the discontinuation of UNDP sectoral support at the end of 1997 and by the constraints imposed by zero real growth budgets. The provision for regular and operational budget resources in 1998-1999 at the current biennium levels would not be sufficient to fund the current field office coverage. In view of the financial situation, a new approach was required so that a realistically sustainable field representation system could be developed.

36. The counterparts for UNIDO's services had become increasingly heterogeneous. Today, UNIDO was working more closely with the private sector and with funding agencies. Accordingly, UNIDO field offices had to move away from their traditional emphasis on coordination, monitoring and representation functions, and concentrate on activities ranging from proactive promotion of UNIDO services to country-level funds mobilization, provision of information services directly to host country entities and direct support to technical cooperation.

37. Effective field teams must be built up that would be able to cover a wide range of functions and services, and the use of limited resources must be optimized through concentration on fewer but larger field offices. The new concept for UNIDO field representation was based on the principle of a network of two interconnected layers: subregional offices and national focal points. The subregional offices would be organized as multi-service providers for clusters of countries in various subregions. The subregional offices would be interconnected with national focal points in individual countries in order to ensure effective coverage.

38. The new proposed structure was aimed at optimizing the utilization of the resources available; achieving closer collaboration with national counterparts; creating the capacity to perform a number of activities in the field with a minimum level of Headquarters support; decentralizing authority to the field offices; and establishing a capacity to respond effectively and promptly to the requests received by UNIDO for assistance. The Secretariat considered that, with the new approach, the subregional offices would be better placed to respond adequately to the developing countries' needs.

39. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division), introducing agenda item 9 concerning industrial investment promotion, said that the report before the Board (IDB.16/11) gave a detailed description of the wide range of programmes being implemented in that sphere and the various methodologies and tools applied. Improvements were called for in a number of areas which, because of their interrelated nature, should not be tackled in isolation from one another. More specifically, it was necessary to improve the quality of investment promotion activities, to establish a closer relationship between UNIDO Headquarters and IPS offices, to achieve greater integration between investment, technology and information-related activities, and to formulate a well-conceived and systematic follow-up programme.

40. Numerous discussions had been held both at Headquarters and with heads of IPS offices on the nature of the existing problems, the main aim being to overhaul the activities of the Investment and Technology Promotion Division (ITPD) with a view to offering improved services.

41. With regard to one of the key issues, namely the quality of investment projects that IPS offices were expected to promote, it was considered that UNIDO Headquarters should add value to investment project proposals to make them genuinely attractive to foreign investors. A number of measures had already been introduced to ensure the high standard of investment project profiles, including the assignment of former feasibility studies staff members to regional investment promotion groups for the purpose of screening projects, and the reworking of the investment project profile forms to meet the requirements of overseas investors more precisely. In addition, technical support for networking activities had been concentrated in the Industrial Information Section, which had rejoined ITPD in March 1996 in the interests of creating a critical mass in that area and integrating the Section fully within the divisional structure.

42. In general, the organizational and staff structure of Investment Services had been streamlined and flattened, the managerial levels being totally eliminated. That made for the more flexible use of limited resources in accordance with priorities. The changes introduced were being closely monitored in case further adjustment was necessary.

43. A number of ideas for further improvements in the functioning of the investment promotion network were being explored, one possibility being to invite IPS staff members to Headquarters to liaise directly not only within ITPD but also with other divisions. Such liaison could be considered an effective bridge between Headquarters and the IPS offices, as demonstrated by the Investment and Technology Promotion Initiatives (ITPI) in New Delhi, India, and the Walloon region of Belgium, as well as cooperation with New and Improved Technology (NIMTECH), a non-governmental organization (NGO) based in the United Kingdom.

44. His experience suggested that some IPS offices were reluctant to send representatives to investment and technology promotion forums, probably through lack of motivation and a preoccupation with operations that were independent of Headquarters. It was intended to monitor the activities undertaken by IPS offices more closely and to harmonize them with Headquarters work programmes.

45. As for the future, UNIDO possessed a number of capabilities, including sectoral, financial and promotional know-how, required for mobilizing funds and technologies for developing countries. Those skills should be interwoven into a single integrated investment and technology promotion programme.

46. **Mr. IZUMI** (Director of the Investment Promotion Service office in Tokyo, Japan) said that the Tokyo office concentrated on upstream investment activities, emphasis being placed on advising entrepreneurs and government officials in developing countries on how to go about obtaining Japanese investment for their projects. At the governmental level, workshops had been held to provide advice on the introduction of legislative measures aimed at attracting overseas investment. At the entrepreneurial level, assistance had been offered regarding skills helpful in negotiating with Japanese investors, a programme that had been focused mainly on neighbouring countries. Recently, missions had been organized by Myanmar, Indonesia and the Philippines, but newly formed Central Asian republics, such as Kyrgyzstan and Uzbekistan, were now being included. The following year, the programme would extend even further, with workshops planned for Jordan in February 1997 and for Kazakstan, the Association of South-East Asian Nations (ASEAN) and Mongolia in mid-1997 within the context of South-South cooperation.

47. As a parallel activity, the office was implementing an active delegates' programme, under which 14 delegates had been attached to it since January 1995. The aim, once again, was to extend the programme beyond neighbouring countries to other areas of the developing world, and delegates from Uzbekistan and Tunisia had already received training in Tokyo.

48. In each of the aforementioned programmes, the Tokyo office was now maintaining much closer contacts with Headquarters, on which it relied for advice on industrial policies and on technical matters in specific industrial sectors. Where possible, the delegates' programme was linked with an ongoing UNIDO programme in the field of investment promotion.

49. At the same time, Headquarters had undertaken a series of measures to ensure the rapid transmission of information between network services and with Headquarters, in particular through the installation of an electronic mail connection. Further improvements in coordination between the Tokyo office and Headquarters were expected in the coming year.

50. **Mr. GIOVANNELLI** (Director of the Investment Promotion Service office in Milan, Italy) said that, in its tenth year of operation, the Milan office had developed a strong orientation towards supporting the private sector with emphasis on assistance to the downstream stage of the investment cycle. The office thus provided assistance to prospective partners throughout the entire negotiation process from the search for partners to finalization of the joint venture agreement. In that last phase, vital assistance was offered through the Project Completion Facility, which enabled the office to develop feasibility studies and had been instrumental in accelerating the conclusion of a number of joint venture agreements. Such feasibility studies had proved crucial in facilitating the investment decisions of entrepreneurs, both in Italy and developing countries, and were a key factor in mobilizing the financial resources necessary to implement the project.

51. During the 1990-1995 period, a total of 30 projects had become operational with a total investment value of $95 million, while a further 35 projects were under implementation. Thus, during that period the office had been able to mobilize 15.95 dollars of foreign investment for each dollar spent, that so-called "investment-generation ratio" providing an indication of the effectiveness of the programme and its multiplier effect. Those statistics also indicated the orientation of the Milan office and the network as a whole towards small and medium enterprises in both developed and developing countries. In that respect, the UNIDO network, linking developed and developing countries, had the unique advantage of providing the private sector with an operational framework to establish contacts, develop cooperation agreements and mobilize financial resources.

52. The delegates' programme was a key element in stimulating the Italian business community's interest in the countries represented through the easy access offered to their investment potential. The Milan office had cast a wide net in attracting qualified delegates, with Latin America, Africa, Eastern Europe and Asia all being represented within the past 12 months. A strong Mediterranean programme involving Palestine, Morocco and Egypt had been developed, and it was also planned to increase the number of delegates from Africa in future.

53. Finally, the office had worked towards closer coordination with Headquarters and other IPS offices, notably those in Europe. For example, BORITEC (*Borsa per gli Investimenti e la Tecnologia*), an investment fair arranged annually by the Milan Trade Authority and other Italian bodies, as well as the European Union, for which UNIDO provided organizational support, showed the potential for interaction with other institutions. It also provided a venue for discussing investment opportunities in the developing world.

54. **Mr. AHOUA** (Côte d'Ivoire) said that the Alliance for Africa's Industrialization, whose inauguration his country had had the honour to host in October, was, like the Lagos Plan of Action and Final Act and the IDDA programmes, the manifestation of the international community's newly acquired awareness of Africa's continuing underdevelopment. In the face of the economic factors at play, exacerbated by globalization and the entry into force of the Uruguay Round agreements, a readjustment of industrial policies was called for in the interests of helping Africa's manufacturing industry to get off the ground. The challenge facing the international community was to enable Africa to derive maximum benefit from economic globalization rather than being marginalized.

55. To that end, all elements of civil society, in particular the private sector at both the national and international levels, should rally behind Governments in bringing about the necessary adjustments and, above all, building the production capacities needed to enable the African continent to firmly grasp the opportunities presented. That was his country's perception of the significance of the Alliance, which had been conceived as part of the United Nations Special Initiative for Africa.

56. The Alliance, which had received the support of the Organization of African Unity (OAU), the Economic Commission for Africa (ECA) and the African Business Round Table, had paved the way for a genuine partnership to lay the foundations for a strong economy. The Alliance presented a new opportunity for Governments, development partners and the private sector alike.

57. The task to be taken up now was to ensure that the Abidjan Declaration and the statements made at the launching of the Alliance did not remain empty words but were followed up by resolute and practical action. Success depended on the implementation of an effective follow-up mechanism, in which the African nations themselves, as primary beneficiaries, should be actively involved.

58. It was also a matter of great urgency that Africa be able to mobilize the funds required for industrial development, funds that were sorely lacking at present compared with its enormous needs. Here, it looked to the international community, especially its development partners and the private sector, without which industrialization was impossible. In that regard, he wished to thank all those speakers who had expressed their support for the Alliance.

59. It was up to Africans themselves to create conditions favourable to the mobilization of the resources required for the development of the continent. For its part, Côte d'Ivoire, whose ambition it was to join the club of newly industrialized countries one generation hence, would deploy every effort to ensure the lasting success of that enterprise.

60. Finally, he wished to express his gratitude to UNIDO for its untiring support of African industrial development and to its Director-General and his team for their commitment. It was his fervent hope that the Board would embrace as its own the important conclusions and aims of the Alliance.

61. **Mr. NICULESCU** (Romania), speaking on agenda item 9, said that after almost seven years of economic reform Romania had introduced the legislative and institutional measures necessary to make it attractive to major foreign investors. His delegation fully supported the increased emphasis placed by UNIDO on investment promotion activities and the efforts being made to improve the coordination of the emerging world-wide network of IPS offices, and it looked forward to Romania's insertion into the network in the foreseeable future.

62. Within UNIDO's current investment promotion programme, as described in chapter I of the report of the Director-General (IDB.16/11), Romania's priorities lay in the areas outlined in subparagraphs (c) and (d) of paragraph 5, namely the identification, formulation and screening of projects using UNIDO methodology and tools with the aim of ensuring the viability and financial/technical soundness of the projects, and the

promotion of investment projects, using not only the programme's focal points in different countries of the globe, but mainly its unique network of IPS offices.

63. He agreed that UNIDO should mainly target the small and medium-sized enterprises that were generally not equipped to respond to inquiries from industrial and financial concerns in developed countries. In that regard, projects aimed at the identification of attractive Romanian companies in a particular subsector and the elaboration of Industrial Investment Promotion Profiles and their presentation to potential investors in a particular geographical area could prove to be of great value. One element of such projects might be the provision of direct access to the World Investment Network Service (WINS), allowing continued investment information flow after project completion.

64. UNIDO was particularly well-placed to offer such services because of its neutral position and its role as a repository of valuable knowledge and experience relating to modern clean technologies. Moreover, access to UNIDO databases would allow Romanian industrial actors to better evaluate potential technologies in the light of their own requirements.

65. UNIDO should also concentrate its efforts on the identification of financial resources and provision of assistance to companies in the difficult process of obtaining investment loans. The Romanian experience of privatization showed that manufacturing concerns could benefit greatly from innovative schemes allowing them access to foreign financing. That process of investment fund mobilization should reach beyond international financing organizations to include the private financial sector. In fact, private financing could also be directed towards large infrastructure projects requiring considerable funds.

66. The build-operate-transfer (BOT) mechanism promoted by UNIDO could prove successful in generating viable, modern and efficient public investment not obtainable by other means, and could also help establish a clear and strict cost-benefit ratio without the assistance of State guarantees. The complexity of implementing such projects meant that UNIDO's elaboration of a comprehensive programme was extremely helpful. Its favourable position and comparative advantages enabled UNIDO to perform a multitude of tasks, ranging from the provision of initial advice to Governments to project management in all its different stages.

67. **Ms. RUIZ ZAPATA** (Mexico), speaking on agenda item 8, said that Mexico regarded UNIDO's field representation as a subject of particular importance. The many attempts made by the Board and the General Conference in the course of their deliberations to work out strategies for developing the field representation programme in a way commensurate with its importance had been thwarted by financial constraints. With the prospect of the imminent withdrawal of UNDP contributions, it was no longer possible to think in terms of continuing the current programme, let alone achieving the target of establishing 50 field offices. The proposal contained in document IDB.16/19, with its subregional focus, represented a more realistic approach and was to be welcomed. Her delegation understood that that proposal would provide better and broader coverage of countries with a lesser outlay of resources. The fine details of the new approach would need to be worked out in consultation with the Member States and the respective regional groups, and that process should be initiated as soon as possible.

68. **Mr. MARTINEZ ESPINDOLA** (Ecuador), speaking on agenda item 8, stressed the importance of field representation for ensuring UNIDO's effective presence in the countries concerned and genuine benefits for the Member States and the Organization. His delegation understood that the new approach to field representation was motivated by the withdrawal of UNDP funding and the reduction of the regular budget rather than any defect in the current programme, which was functioning more than satisfactorily within the financial constraints imposed. Ecuador, for example, had benefited greatly from the professional work done by the UNIDO office in Quito.

69. Referring to the statement made by the representative of Argentina at the first meeting of the session on behalf of GRULAC, he stressed the need for detailed study of the new approach, in view of its broad implications and complexity, with a view to determining how it could be further amplified or whether there might be a better alternative.

70. An intersessional consultation process should take place among Member States for the purpose of generating ideas which might assist the Director-General in formulating a concept enjoying the Member States' support. The Director-General should also work closely with the regional groups in order to draw up a proposal on the siting of UNIDO offices in the field and the geographical area covered by each. Having set out on new paths in so many different spheres, UNIDO should now apply its innovative thinking to the issue of field representation.

71. **Ms. RAHMATUNNISA** (Indonesia), speaking on agenda items 6, 7, 8 and 9, expressed her delegation's appreciation to the Director-General for his strenuous efforts in launching the Alliance for Africa's Industrialization, and noted with satisfaction his report

on the implementation of the UNIDO programme for the LDCs (IDB.16/13).

72. In view of Indonesia's successful development record, her Government recognized its duty to make its technological resources available to other developing countries, particularly the LDCs of the African region. Her delegation accordingly had the honour to inform the Board that the Government of Indonesia would be launching a technical cooperation among developing countries (TCDC) programme jointly funded with UNIDO. That programme was designed to be demand-driven and based on the needs of the LDCs in general and the African countries in particular. In the first quarter of 1997, it was planned to organize a Workshop on Small-Scale and Energy-Efficient Brickmaking Technology for the benefit of entrepreneurs and also various interested institutions in Africa. It was hoped in future to implement further programmes targeted at agro-industries and other priority sectors in Africa.

73. Regarding field representation, her delegation supported the reorientation towards subregional coverage, coupled with adjustments in functions and resource endowments. Given the reduced resources available to UNIDO for the 1998-1999 biennium, the outlined proposal seemed to provide a reasonable basis for reorganizing UNIDO's field representation programme. Her delegation welcomed in particular the planned concentration on 20 subregional offices, each with an increased staff backed up by national focal points; the principle of cost-sharing, with the host countries bearing one third of local operating costs; and the decentralization of UNIDO's programmed development and advisory functions to the subregional office. It was vital, however, that such concentration of resources should not take place at the expense of representation in the Asia and Pacific region, which currently had only nine of the 40 UNIDO field offices. Care should also be taken to assign a manageable number of countries to each subregional office, since each country had its own special needs and complexities.

74. Regarding the UNIDO Country Director (UCD) office in Jakarta, she pointed out that in 1996 her Government had doubled its local support contribution to that office and was thus sharing approximately 48 per cent of the costs, which was greater than the one-third share indicated. If that office were to be upgraded to a subregional office, other countries would be called upon to share its running costs.

75. Regarding the decentralization of programme development, it was to be hoped that adequate financial and human resources would be made available to support the new functions that it was proposed to assign to the subregional offices.

76. With respect to industrial investment promotion, her delegation fully supported the intention to maintain UNIDO's integrated and comprehensive programme based on developing countries' needs. Accordingly, it hoped that UNIDO would concentrate greater resources and efforts on mobilizing funds through bilateral, multilateral and regional cooperation and on expanding the World Investment Network Service.

77. **Mr. SHAH** (Pakistan), speaking on agenda items 8 and 9, said that, ideally, in the face of diminishing resources, UNIDO should explore alternative sources of funding for field representation. However, his delegation welcomed the Organization's swift response to the situation and offered it every possible assistance in maintaining a viable programme of field representation.

78. It was his delegation's belief that field representation offered the most effective mechanism for establishing direct contact between UNIDO and its beneficiaries and that it greatly facilitated project implementation and coordination. With regard to the new approach proposed, his delegation felt that the functions of the field officers needed to be further streamlined, but supported the subregional concept, which would not only make for wider regional coverage but would also strengthen regional cooperation, a concept to which Pakistan was committed. Moreover, countries with similar socio-economic conditions offered vast scope for economic cooperation at the regional level, which, in turn, benefited national economic integration. UNIDO field offices could provide assistance, in particular, by coordinating programmes in the spheres of infrastructure development and energy generation, which provided the basis for all industrial promotion activities.

79. His delegation appreciated the Organization's efforts in promoting industrial investment through its Investment Promotion Service. Like many other countries in the region, Pakistan had embarked upon a process of economic liberalization and deregulation, with the result that foreign direct investment had increased significantly over the past few years.

80. Pakistan was now in the process of establishing permanent communication links with a view to re-establishing traditional trade ties with the other countries of the region, and therefore welcomed cooperation aimed at encouraging foreign investment in the country as well as in projects extending beyond national boundaries.

81. **Mr. CHAUNY** (Peru) expressed his delegation's support for the statement made at the first meeting on behalf of GRULAC.

82. The Government of Peru congratulated the Organization and its Director-General, as well as Member States, on the thirtieth anniversary of UNIDO and on the virtual completion of the reform process. The Organization had well-defined objectives and priorities, it was administered by a better management and it was in a position to act effectively to promote global industrial development.

83. Referring to field representation, he said that such representation was the best indicator of the success of the Organization and the proposals for its improvement were welcome. His country supported the Director-General's proposal in document IDB.16/19, which stressed decentralization, strengthened human and financial resources, delegation of responsibility, the subregional focus and interaction with national focal points. The changes would undoubtedly improve the balance between the field and Headquarters.

84. An example of the human resources problem facing 13 of the 40 field offices was the situation of the office in Peru, which had been without a director since March 1995. That was all the more significant in view of the substantive projects being implemented by the Organization in Peru, concerned with the programme of privatization and integrated systems for industrial information and investment promotion. Future cooperation between Peru and UNIDO would be at a high level in the short and medium term, once the new industrial development programme guidelines had been established in Peru.

85. His delegation fully supported the proposed contacts between the Secretariat and Member States to define specific measures for subregional offices, as well as their location and other basic considerations. The Government of Peru would do its utmost to ensure that UNIDO representation in Peru attained the optimum level necessary to match Peru's industrial development needs with the UNIDO cooperation programme in the country.

86. **Mr. MOHANTY** (India) reiterated his Government's view that UNIDO could play a pivotal role in the speedy industrialization of the developing countries. There was an idea in some countries that, in a liberalized market-determined economic world, the national Government or an international organization had no particular relevance in matters such as industrialization promotion and other associated economic activities, which could best be left to market forces. Such an approach took no account of the realities of the international economic situation and the fact that many countries, mostly economically underdeveloped ones, needed information and analysis on investment and capital, technology, industrialization strategy and policies in order to make meaningful decisions and undertake effective action in economic and industrial development. They also needed technical assistance. There was a need for a specialized multinational agency with the capability and expertise to fulfil the needs of those countries. India saw a very useful role for UNIDO and fully supported the further strengthening of the Organization.

87. His delegation supported UNIDO's initiative regarding the Alliance for Africa's Industrialization. UNIDO should urgently start to implement projects and programmes in the framework of the Alliance in an integrated fashion, so that concrete results could be seen in the coming year. He was pleased to announce that India had decided to allocate $50,000 out of its special-purpose contribution to funding projects in Africa in the current year.

88. His delegation noted with appreciation the proposals regarding the reorganization of field representation. It was concerned that, due to non-availability of funds, the number of UNIDO Country Director offices would have to be reduced. His delegation welcomed the idea of subregional offices and focal points. The remodelling of field representation should be referred to an informal working group of the Board and the measures for increasing the efficiency of the field staff should be started at the earliest possible opportunity. The emphasis on work with the private sector through the field offices was welcomed.

89. Investment promotion, particularly promotion of foreign direct investment in the developing countries, was crucial to the all-round development of the industrial sectors of those countries. Foreign investment enabled countries to access capital, technology, management and marketing techniques from the developed world. That activity involved close participation by private-sector enterprises in the host and capital-exporting countries. UNIDO could play a pivotal role in accelerating foreign direct investment in developing countries. In the past three years, India had arranged a series of Intechmart programmes to bring India and foreign enterprises together to promote financial and technical cooperation. UNIDO had been closely associated with those programmes, but it might not be sufficient to limit UNIDO's role to organizing investment forums as a stand-alone activity. It was more important to provide follow-up, particularly in terms of the actual inflow of investment. His delegation felt that UNIDO could offer technical advice on the investment promotion policies of Governments in developing countries, with reference to foreign investment, on the basis of experience gained in the more successful countries.

90. **Mr. BURGERMEISTER** (Switzerland) said that the Swiss Government reiterated its support for UNIDO as it sought to reform itself. Switzerland was firmly convinced that ongoing efforts were needed to target UNIDO's activities. It hoped that the Secretariat would continue its efforts in a coherent and energetic manner. He looked forward to the future report by the Director-General on the impact of the reform, which should help to measure progress achieved.

91. His delegation thought it critically important to maintain the principal technical cooperation programmes because they kept UNIDO in close contact with industrial development in the developing countries and in the countries in transition. They also enhanced the credibility of the Organization among Member States and in the private sector. His delegation expressed satisfaction with the considerable efforts made, despite the budget restrictions. It had noted that the resources for the Second Industrial Development Decade for Africa and for the least developed countries had been maintained or increased in the current biennium.

92. The Swiss delegation commended the efforts of the Director-General and the Secretariat to strengthen UNIDO's field representation, which was one of the Organization's priorities. In the past, his delegation had stressed the need for effective decentralization of certain tasks, resources and responsibilities away from Headquarters, without increasing the budget. It therefore welcomed the proposals to redeploy staff to the field. The imminent termination of UNDP's financial contribution had impelled UNIDO to re-think its approach, particularly by calling on contributions from the host countries. His delegation supported the proposal to review field representation.

93. The delegation of Switzerland hoped that the discussions on the budget for 1998-1999 would not lead to damaging cuts in technical cooperation programmes, which would affect the very essence of the Organization, or hinder the reorganization of UNIDO.

94. **Ms. ALEMAYEHU** (Observer for Ethiopia) noted that, despite the financial difficulties facing the Organization, the overall IDDA allocation for the biennium had not been reduced. Pursuant to its mandate to promote and accelerate industrial development in developing countries, UNIDO had striven to make Africa a priority and the IDDA its main programme. The first IDDA programme had not been fully implemented and had not produced tangible results. Her delegation welcomed the Alliance for Africa's Industrialization. It was time for the IDDA to enhance its importance as an efficient and competitive programme. Africa's Heads of State and Government had rightly stated, in the Abidjan Declaration, that the Alliance for Africa's Industrialization was a dynamic mechanism to boost the programme for the Second Industrial Development Decade for Africa. With the advent of the twenty-first century, the Alliance was a fresh approach to African industrialization and the fact that the Alliance was to be synthesized with the United Nations system-wide special initiative for Africa gave it vitality and strength. The Alliance could also play an important role in the realization of the Lagos Plan of Action.

95. The Alliance was intended to encourage Africans to assume responsibility in industrial development programmes and it was imperative that the Alliance should be implemented in the specific context of Africa's needs. Projects should be designed on a national, subregional or regional level to fit Africa's situation and Africans themselves should generate ideas and plans. The industrially developed countries should provide technological know-how and financial support, as well as encouragement. Their help was crucial to the success of the Alliance. It was incumbent on the African countries to create a conducive atmosphere for the Alliance's programmes. UNIDO's role as a catalyst, facilitator and adviser might need reorientation.

96. Her delegation greatly appreciated UNIDO's performance and the progress in finalizing the Alliance in consultation with African Governments, OAU, ECA and the African Development Bank. The Alliance was an initiative by Africa, for Africa, in partnership with friends of Africa.

97. Her delegation had read with keen interest the Director-General's report on the industrialization of the least developed countries. The gap between developed and developing countries was widening and the least developed countries were increasingly marginalized. UNIDO could play a crucial role in helping those countries at such a critical time. UNIDO's thematic priorities focused on agro-industry development in the least developed countries. Ethiopia was an agrarian country and had adopted policies to achieve economic development through the linkage of agriculture with industry, and attached importance to programmes to promote agro-industry in Africa.

98. UNIDO could not fulfil its commitments without the backing of potential donors and it might be necessary for UNIDO to review its policy on funds mobilization for the industrialization of the least developed countries.

99. **Mr. BAIALINOV** (Observer for Kyrgyzstan), after thanking the Director-General for his report which gave a clear account of the problems, challenges and prospects facing UNIDO in one of its main activities, recalled that Kyrgyzstan had been among the first of the

States of the former Soviet Union to become a Member of UNIDO.

100. His country's interest in the Organization was based on its need to mobilize funds for industrial development, which included attracting foreign investment in its economy. It was in that area that Kyrgyzstan received all its assistance from UNIDO, and through the activities in question good business relations had developed between Kyrgyzstan and the Secretariat. In that regard, his country attached great importance to the UNIDO project for attracting Japanese investment in its economy.

101. On the whole, his delegation was highly appreciative of UNIDO's efforts to increase the effectiveness of the Investment Promotion Service, especially with regard to the quality and timely provision of services and their commercialization. It therefore supported the ongoing restructuring of the Investment and Technology Promotion Division. By contrast with other UNIDO units, that Division's work, in particular its investment services affecting Commonwealth of Independent States countries, relied heavily on the mobilization of resources in order to implement projects. His delegation was convinced that current problems regarding the funding of projects could be avoided if the Division had its own fund in which to accumulate the resources for the services it offered and if a mechanism for offering services on a contractual basis was created. His delegation therefore supported the Director-General's proposal to establish a UNIDO investment and technology promotion fund and looked forward to seeing more details on the proposed modalities of such a Fund.

102. Maintaining a market-oriented approach and satisfying UNIDO's clients meant not only increasing the staff's effectiveness but also continuing the structural reform of the Investment and Technology Promotion Division. In order to help achieve that, his delegation recommended the setting up of units responsible for preparing the basic technical-economic elements of investment projects and the initiation of cooperation with the World Bank organizations—the International Finance Corporation and the Multilateral Investment Guarantee Agency—for the preparation, promotion and funding of investment projects and investment guarantees. His delegation supported the efforts being made by Investment Services in that direction, and would like to see collaboration with those organizations considerably expanded.

103. UNIDO was the only organization of the United Nations system that not only offered assistance for the preparation and evaluation of investment projects at enterprise level, but also possessed a unique instrument for promoting them in the IPS network and the so-called "delegates' programme". His country would like the Investment and Technology Promotion Division to devise a detailed plan to enable interested countries to benefit from the delegates' programme. His delegation supported the Division's efforts to monitor the activities of the IPS offices more thoroughly. Also deserving of further support were the projects implemented jointly by UNIDO Headquarters and an IPS.

104. His delegation was also highly appreciative of the efforts to expand the IPS network by establishing partnership arrangements and concluding agreements with local administrative bodies in developed and developing countries, and with non-governmental organizations.

105. In conclusion, he said that Kyrgyzstan would like to expand its collaboration with UNIDO, mainly in areas related to the attraction of foreign investment in its economy. The activities developed in that area had so far been successful. Their future prospects depended mainly on the overall relationship between his country and the Organization.

106. **Mr. SOMOGYI** (Hungary) said he shared the view that investment promotion activity should be handled by UNIDO as an integrated programme. While all the elements were essential, practical considerations meant that, in countries with different levels of industrialization, certain phases of the integrated programme would require differing emphasis by UNIDO. From Hungary's perspective, the most valuable and promising part of the activity was the World Investment Network Service. The Service could be one of UNIDO's main contributions to global industrialization, but it could be effective only if the industrial sector-related knowledge in UNIDO was used by the network to better effect and if the Investment Promotion Service offices were in close contact with Headquarters. His delegation agreed that there was a need for better teamwork and better work quality.

107. Hungary was considering the establishment of an investment promotion office. Greater efficiency in the existing IPS network would strengthen arguments in favour of such an office. Hungary would be interested in promoting the transfer of technology and investment resources to and from the country.

108. His delegation urged the Investment and Technology Promotion Division to continue its efforts. Hungary would like an item on investment promotion to be included in the agenda for the next General Conference session.

109. **Ms. AGGREY-ORLEANS** (Ghana) said that her delegation welcomed the launching of the Alliance for Africa's Industrialization and the Abidjan Declaration. The Declaration was an affirmation of the importance which Governments in the African region attached to industrial development in their quest for durable solutions to Africa's current social and economic crisis. Ghana was ready to make an active contribution to the plan of action for the Alliance, which was expected to be adopted at the Conference of African Ministers of Industry in May 1997.

110. With only a few exceptions, Africa's achievements in industrialization were modest, in spite of the efforts made in the first IDDA and several other initiatives within the United Nations system. The situation demanded a new approach to the difficulties encountered by African countries in their industrialization efforts and to reverse the negative trends as a matter of urgency. Ghana welcomed the Alliance for Africa's Industrialization, which not only built on ongoing national, subregional and continental initiatives, but sought to offer a new conceptual approach which was well-focused and could serve as a framework for activities in the Second Industrial Development Decade for Africa.

111. The emphasis on the private sector as a partner in industrial development and as the main engine of growth was noteworthy, as were the other objectives, including capacity-building, industrial policy formulation, human resource development for industrial competitiveness, investment promotion and agro-industry for export and the domestic market.

112. Her delegation was confident that the Alliance would give much needed impetus to industrial development in Africa, provided that UNIDO and the international community continued to give Africa the requisite support. Such support, together with the commitment of African countries to the objectives of the Alliance, would be necessary to ensure that the Alliance did not remain mere rhetoric. The Government of Ghana fully supported the initiative, which was in line with its own industrial policy.

113. The Government of Ghana had sought to create a favourable economic environment for trade and investment through a new free zone programme to promote and encourage export manufacturing, as well as international services, such as banking, telecommunications and transportation. Ghana had also placed greater emphasis on the role of the private sector in industrial regeneration and had implemented a divestiture programme to reduce the number of State-owned enterprises. Another priority was human resource development in the industrial sector, with special emphasis on developing the managerial and entrepreneurial skills of women and the development of small and medium-scale enterprises. Such macro-economic policies had yielded some gains, but Ghana still required the assistance of UNIDO and the international community to hasten industrial development. The Alliance could provide the mechanism whereby such specific needs could be addressed. Ghana's situation was not unique and several UNIDO-sponsored industrial sector review and programme missions had revealed an urgent need to address the problem of low investment inflows into Africa. Strong partnerships and strategic alliances among African countries, financial institutions and development agencies needed to be forged to provide a new and dynamic approach to the Second Industrial Development Decade for Africa.

114. Her delegation urged UNIDO to pursue innovative financing and funds mobilization to meet the present levels and the future increases in demand for resources. The proposed country-specific funding approach was an interesting option, as it would link funds mobilization to identifying industrial development needs and priorities in specific countries.

115. **Mr. H.-J. LEE** (Republic of Korea) expressed his delegation's appreciation for document IDB.16/11 on industrial investment promotion. His country supported the agenda for future action, with follow-up activities, IPS network coordination and the delegates' programme. The Secretariat should endeavour to link investment promotion programmes with technology to maximize the impact of the programmes.

116. His delegation felt that the assessment of the forum organized in the Democratic People's Republic of Korea in September 1996, as set out in document IDB.16/11, was unfair because the forum had deviated from its goal of promoting investment in the area because of the refusal of the host country to allow the free and equal participation of representatives from the Republic of Korea, including government officials and journalists.

117. **Mr. CHAIRAT** (Observer for Thailand) said that his delegation attached great importance to UNIDO maintaining field representation in developing countries. It welcomed the restructuring of UNIDO field offices, as indicated in document IDB.16/19, in the light of the shortfall in UNIDO's contribution for that purpose. The criteria for the selection of host countries for subregional offices were very reasonable, but the approach should be implemented in close consultation with the Member States, particularly the host countries.

118. UNIDO had a field office in Bangkok, and Thailand also hosted the headquarters of the Economic and Social Commission for Asia and the Pacific, as well as regional offices of other specialized agencies. He foresaw no change in the Thai Government's commitment and support and said that all possible assistance would be rendered to UNIDO to enable it to maintain its office in Thailand.

119. **Mr. ISAKOV** (Russian Federation) said that UNIDO's assistance in attracting foreign investment into the Russian economy was still the main element of Russia's cooperation with the Organization. His country was highly satisfied with the work of UNIDO's Investment Services in that regard.

120. The attraction of investment and the transfer of technology were the two areas that most clearly demonstrated the results of the reform. The programme in question had demonstrated its flexibility and capacity to adapt in a timely fashion to the changing demands of its participants, and on a commercial basis. It had become more focused through greater emphasis on the attraction of investment for small and medium enterprises. In that particular area, it was important for UNIDO to demonstrate convincingly its comparative advantages over other international organizations and institutions and thereby establish its own niche in the system of international development aid.

121. The qualitatively greater scale of UNIDO's activities in that area were such that the investment services needed to be strengthened, in particular through the acquisition of suitable staff. Otherwise, there would be a danger that, after a promising start, the Secretariat would not have the manpower properly to implement ongoing and future programmes.

122. His delegation believed that the situation required the establishment of a single investment technology information service within UNIDO. The first step should be to set up a strong information service in the Investment and Technology Promotion Division linking all the existing UNIDO information networks.

123. His delegation would like to see the further strengthening of the IPS network and the programme under which delegates were seconded to network offices with a view to their promoting investment projects from their own countries with local business. A further useful development might be to rotate staff or at least establish short-term exchanges of staff between Investment Services and an investment promotion office.

124. His delegation was also in favour of strengthening cooperation with the organizations of the World Bank group in connection with the preparation, promotion and funding of investment projects and investment guarantees.

125. Within the same context, his delegation wished to endorse Investment Services' "business initiative" and other related activities.

126. Russia's Permanent Mission in Vienna was willing to play an active part in the implementation of such activities. Russia could contribute a considerable amount of experience to any such cooperation with UNIDO, but further refinement would be required and priorities would need to be set to take account of the changing investment climate in Russia and the needs of the end-users of UNIDO's services. In that connection, his delegation supported the Secretariat's policy of treating investment forums not as ends in themselves but as one element in a complex investment promotion programme. Such a programme should include the nursing of projects to the practical implementation stage as well as instruction for staff on how to attract investment. His delegation supported the related proposal to establish an investment promotion fund for financing measures to promote investment projects once they had been presented at forums, and considered that suitable proposals could be submitted for discussion by Member States by the next session of the Board. It was also important to place greater emphasis on the individualization of work through the selection of specific partners among potential investors and by linking projects to one or several interrelated branches of industry.

127. Russia attached great importance to the UNIDO Country Director programme, which was an important operational tool for enabling the Organization to identify and react in time to the changing needs of recipient countries. The strengthening of UNIDO's presence in the field was in line with the need to decentralize the activities of organizations of the United Nations system. Russia supported the Secretariat's new approach to field representation, which was based on a realistic evaluation of the amount of resources the Organization was able to allocate for such purposes. It had always supported the idea of creating subregional offices with broader functions, and had also advocated the need for recipient countries, wherever possible, to meet part of the local costs. Furthermore, it supported the Secretariat's idea of setting up national focal points and developing criteria for determining the location of subregional offices. Russia also favoured a system of rotation between Headquarters and the field, and a substantial increase in the powers of local office directors. His delegation trusted that the Secretariat would soon begin to put those ideas into practice.

128. **Mr. HOBEICA** (Lebanon) said that document IDB.16/19 gave clear information on the status of UNIDO's field representation and the aims for the coming biennium. His delegation was convinced of the importance of field representation in the developing countries and supported all reforms designed to enhance the offices and increase their staffing. The consolidation of offices on a regional basis should diversify services, cut costs and increase output. Lebanon was convinced that the Director-General's proposal represented an advance; dialogue with Member States would be essential.

129. The progress of developing countries was directly related to the availability of foreign investment and foreign technology. The investment promotion programme was a very important area of UNIDO's work in helping developing countries to industrialize and to globalize their economies. Lebanon fully supported the five phases of the programme. The Lebanese delegation approved UNIDO's projects relating to small and medium enterprises in developing countries, particularly with reference to the private sector. It applauded the use of tools such as pre-investment studies and the World Investment Network Service. The recommendations in the report should be implemented. UNIDO had an important role to play in the area of industrial investment promotion and it was important to ensure that resources were not squandered as a result of being distributed among too many agencies.

130. **Mr. ROFFE** (United Nations Conference on Trade and Development) said that his Organization cooperated closely with UNIDO in the field of investment promotion. He conveyed the greetings of the Secretary-General of UNCTAD on UNIDO's thirtieth anniversary.

131. The central theme of UNCTAD IX held in South Africa in May 1996 had been "A Partnership for Growth and Development"; UNCTAD had been called upon to assist developing countries and countries in transition in their appropriate integration in the international economic system.

132. UNCTAD was a forum *par excellence* for the discussion of strategies and policies for development in four areas: globalization and development; international trade; investments, technology and enterprises; and infrastructure for services and commercial efficiency.

133. UNCTAD's work in the field of investment was basically analytical and included a technical cooperation component resulting from the analytical work and the examination of policies on foreign investment. One result of that work was the annual publication of the World Investment Report.

134. UNCTAD IX had concentrated on the notion of a partnership for development, one aspect of which was more effective coordination and complementarity in the activities of international organizations.

135. Since Mr. Ricupero had taken office as Secretary-General of UNCTAD, cooperation between international organizations had been a major concern of UNCTAD. In that effort the Director-General of UNIDO had been an important ally. Two meetings had taken place between the secretariats of UNIDO and UNCTAD in 1996, the most recent of which had been the visit of the UNCTAD Secretary-General to UNIDO Headquarters in July.

136. The areas selected for cooperation between the two agencies covered investment promotion, cooperation between enterprises and technological training. The two organizations had chosen Africa and the LDCs as the focus for such cooperation. It was hoped that the intentions of the Director-General of UNIDO and the Secretary-General of UNCTAD in that field would be translated into concrete work.

137. **Mr. ZAIDE** (Philippines) congratulated the Director-General on presiding over the thirtieth anniversary of UNIDO. UNIDO could look back on 30 successful years, and now needed to slim down in order to be attractive to Member States.

138. He welcomed the Director-General's initiative in favour of complementary cooperation with UNDP and other relevant agencies in the field, where UNIDO's success was mainly to be measured. His delegation invited all donors, past donors and those who were reviewing their policy towards UNIDO to come to his country and see for themselves the successful implementation of programmes.

139. He expressed his personal and official concern over unconfirmed news reports that Germany, a pillar of UNIDO, might be reviewing its position towards the Organization.

140. On the subject of industrial investment promotion, he mentioned the training programme on export-oriented investment promotion assistance for Kyrgyzstan carried out under the UNIDO umbrella with Philippine experts and Japanese funding. He commended the efforts of the Managing Director of the Investment and Technology Promotion Division in bringing that programme to fruition in record time.

141. After a review of the programme, possibilities could be examined for its continuation, expansion and even replication in other regions, as an excellent example of TCDC in South-South, North-South and all types of cooperation for the benefit of all participants.

142. The Philippines had been successful in build-operate-transfer legislation and offered its experience in bridging the time element in providing the essential infrastructure for industrialization programmes.

143. He requested UNIDO's assistance in bringing together under one roof the design and manufacturing of garments and textile production.

144. He associated himself with the view that development should not only consist of official development assistance but should also include the proactive use of trade, investment, economic policy, debt relief, technology transfer and the development of the social infrastructure.

145. A visit of the Director-General and his delegation to Manila in December 1996 would offer an excellent opportunity to widen and deepen his Government's cooperation with UNIDO and to build upon relevant opportunities.

146. **Mr. KULEBA** (Observer for Ukraine) noted with satisfaction that most of the documents submitted for consideration at the present session testified to the new approaches adopted by UNIDO in performing its mission and radically restructuring its activities. Ukraine continued to value highly its involvement in such an authoritative international organization as UNIDO, which it viewed, now more than ever, as an important instrument for furthering genuine industrial development.

147. He expressed his delegation's appreciation of the Annual Report (IDB.16/10) and its confidence that UNIDO would continue to be able to offer new and competitive services to clients throughout the world. UNIDO's assistance to Ukraine was of exceptional importance at the present stage of the country's economic reform, and the Director-General's visit to his country and a number of other countries in transition in the region marked a milestone in the process of broadening UNIDO's cooperation programme.

148. At a time when Ukraine was faced with an acute deficit in the capital required for restructuring the economy, penetrating world markets and securing foreign sources of funding, the Ukrainian Government had succeeded in establishing the necessary legal framework for reliably protecting and deriving maximum benefit from its investments, and had approved a programme at the beginning of 1996 outlining the priority areas of its cooperation with UNIDO. In that regard, mention should be made of UNIDO's efforts to provide advice and technical assistance to countries in transition in the light of their actual capabilities.

149. His delegation also appreciated UNIDO's efforts in implementing the Second IDDA and would maintain its support for the practical assistance offered by UNIDO to make the IDDA a success. Active steps were currently being taken by Ukraine jointly with UNIDO to maintain the ongoing seminar based at the Paton Institute of Electric Welding in Ukraine.

150. For the majority of countries, including Ukraine, environmental issues were of the utmost topical relevance, a fact that was reflected in the many references in the documents to UNIDO's expanding activities in that area.

151. UNIDO deserved commendation for its achievements in the development and transfer of advanced technologies and the establishment of international research centres dealing with such technologies. In April 1997, Ukraine and UNIDO would be launching a programme entitled "New technologies in Ukraine" and the "Intechmart 97", which were already arousing great interest in a large number of countries. Regarding the preparations for the establishment of the international centre for hydrogen energy technologies (ICHET), he noted that extensive research work had already been completed to that end with the active involvement of Ukraine, which was one of the leaders in that field. In view of the importance of developing international cooperation in advanced technology transfer and avoiding duplication in such work, his delegation endorsed document IDB.16/26 regarding the establishment of ICHET.

152. UNIDO's programme directed towards assisting SMEs was of great importance for countries in transition and would contribute significantly towards the structural reform of the industrial sector and acceleration of privatization processes in those countries.

153. Regarding UNIDO's financial position, which was still a source of concern, his delegation supported the efforts deployed by the Director-General to improve the situation and agreed with the many other countries that had stressed the need for a solid financial as well as political basis for the Organization. Despite Ukraine's own financial difficulties, its lack of hard currency and the unjustifiably large increase in its assessed contribution, the Government would make every effort to honour its financial commitment to UNIDO.

154. **Mr. CLERISME** (Observer for Haiti) said that his delegation, representing the only LDC in Latin America and the Caribbean, particularly welcomed the effort being made by UNIDO on behalf of the least developed countries, and the fact that technical cooperation delivery to LDCs had increased. His delegation was also pleased to note the increase of

350 per cent in the total sum approved for LDCs for the reporting period, and the decision to allocate at least 50 per cent of available resources to LDCs in Africa.

155. His delegation greatly appreciated the assistance rendered by UNIDO to the Ministry of Trade and Industry in Haiti in enhancing its capacity to formulate industrial policies through the development of a national coordination and management tool. Such support was in line with UNIDO's priorities in the areas of capacity-building and human resource development, investment promotion, the promotion of small and medium enterprises, private sector development and energy and environment programmes.

156. His delegation was concerned about the withdrawal of the United States of America from UNIDO and other threatened withdrawals, which would have a negative impact on programmes for the least developed countries. Haiti would endeavour to pay its contribution and encouraged all Member States, including the least developed countries, to do the same.

157. **Mr. KAGODA** (Uganda) said that his delegation wished to be associated with the statement made by the representative of the Sudan on behalf of the African Group.

158. His delegation noted with sadness the withdrawal of the United States from UNIDO and the possible withdrawal of another major contributor. He appealed to all Member States, particularly the major contributors, to strengthen their support for the Organization, both politically and financially, so that it could realistically carry out the responsibilities that Member States had placed on its shoulders.

159. His delegation welcomed the mid-term review of the Industrial Development Decade for Africa. UNIDO should be congratulated on the successful launching of the Alliance for Africa's Industrialization, but his delegation would like to see the objectives of the Alliance and the Abidjan Declaration fulfilled. That would be possible only if the Alliance was adequately funded. He supported the representative of Algeria in appealing to the Director-General to rationalize the relationship between the Alliance and the IDDA programme, in terms of functions as well as funding, with a view to the smooth management of activities under the two programmes.

160. His delegation noted with appreciation that the industrialization of the least developed countries had high priority among UNIDO's programmes. It welcomed the 13 per cent increase in technical cooperation delivery to the least developed countries in 1996, compared with 1995. However, UNIDO Member States should not be comfortable with that level of performance, as it was still insufficient.

161. His delegation was aware of the need to ensure that industrialization was not at the expense of the environment and it strongly supported the establishment of an international centre for hydrogen energy technologies, which would greatly contribute to sustainable industrial development.

162. UNIDO was planning to reorient its field representation programme towards subregional offices, and the Ugandan delegation wished to caution that the offices should be chosen in consultation with the Member States in the subregion and that the criteria should be based on the needs of the country.

163. His delegation had noted with appreciation the Director-General's statement concerning the reservation of the post of Managing Director for Country Programmes and Resource Mobilization for Africa. It was to be hoped that the pledge would enable UNIDO to draw up relevant programmes for the Africa region, with more than half the world's least developed countries.

164. Consultations were going on in certain quarters to conclude a "multilateral investment agreement". That would be bad news for countries like Uganda. His delegation asked the Director-General to monitor such developments closely and warn Member States, particularly the least developed countries, in time for them to take appropriate action.

165. He reaffirmed his country's total support for UNIDO, which could provide a significant contribution to the industrialization of developing countries in general and Africa in particular.

166. **Mr. KARA** (Observer for the Czech Republic) expressed his country's appreciation for UNIDO's investment promotion programme. The programme was successful, effective and useful and it generated concrete and visible results. His delegation paid tribute to UNIDO and the Governments of those countries that had lent support to the Investment Promotion Service offices and expressed the hope that the programme would continue and even expand.

167. **Mr. KIM Gwang Sop** (Observer for the Democratic People's Republic of Korea) said that he wished to comment on the causes for the non-participation by government representatives of the Republic of Korea in the Investment Forum for the Rajin-Senvong Free Economic and Trade Zone held in September 1996.

168. There were three main causes for the problem. The Republic of Korea had originally pledged $300,000 of general-purpose funds under IDF for the Forum, but did not give permission to use the fund for the Forum, with the result that his Government had been obliged to use UNDP funds. That action by the Republic of Korea showed antipathy towards the Forum, so that it was doubtful what action its representatives would take during the Forum.

169. The Government of the Republic of Korea had selected only 20 businessmen out of the 300 who had hoped to take part in the Forum and had suggested that the delegation should also include 30 government representatives and journalists, making up 60 per cent of the delegation.

170. The most important factor was the crackdown by the Government of the Republic of Korea on a demonstration by students for peaceful reunification of Korea. High-ranking Government officials had alleged that the demonstration was connected with "North Korea".

171. Problems of accommodation had also forced the organizers to reduce the number of participants from 800 to 500.

172. He had been reluctant to raise the matter and hoped that the Democratic Peoples' Republic of Korea and the Republic of Korea would follow the path of conciliation, cooperation and reunification, according to the wishes of the international community.

173. **Mr. H.-J. LEE** (Republic of Korea) said that his delegation was disappointed at the unacceptable reply made by the representative of the Democratic People's Republic of Korea. However, he did not intend to reply in detail.

174. The politicization of the Forum had been entirely due to the Democratic People's Republic of Korea, which had broken repeated commitments to guarantee free and equal participation by excluding government officials and journalists from the Republic of Korea while allowing participation of such persons from other countries.

175. **Mr. DEROY** (Managing Director, Country Programmes and Funds Mobilization Division), replying to questions raised, said that the list of IDDA projects approved as of 30 July 1996, as mentioned in document IDB.16/15, was available for consultation in the IDDA Coordination Unit. The reason for the difference in the level of approval of YA (supplementary activities) and XA (technical cooperation) projects was that some YA projects had been brought forward from the previous biennium. Regarding the level of programme delivery for the previous biennium, 1994-1995, he said that $5,137,500 had been allocated to 52 XA projects, with an execution rate of 90 per cent, and $4,216,000 to 52 YA projects, with an execution rate of 84 per cent. Under short-term advisory services (STAS), 81 projects had been approved to a level of $1,183,200, with an execution rate of 88 per cent.

176. On agenda item 8, it had been suggested that UNIDO should initiate discussions with Member States to develop a field representation proposal on the lines of document IDB.16/19. The Secretariat intended to consult Member States and regional bodies to develop a concrete proposal for the gradual implementation of a new structure without interruption of ongoing activities.

177. It had been said that the views of the UCDs should be taken into account when the proposed restructuring in the field took place. There had indeed been greater communication with the field through Internet in the past seven months, allowing savings in telephone and fax communication. Eighty per cent of the UNIDO field staff were connected to the E-mail system and efforts were being made to raise the level even further, Africa being a priority. UNIDO had recently held a regional meeting of UCDs in Abidjan on the occasion of the launching of the Alliance for Africa's Industrialization. UCDs were aware of the proposed approach for the new field set-up and would continue to be fully involved.

178. Speaking at the first meeting of the session, the representative of the European Union had urged the Secretariat to consult Member States in preparing a specific proposal for the country coverage and location of subregional offices and had stressed that the level of expenditure under the regular budget should not be reduced. UNIDO welcomed the European Union's support and would proceed as suggested if the document was approved.

179. Attention had also been drawn to the need to deliver effective and efficient services meeting the needs of recipient countries. It had been suggested that the role of UCDs should be strengthened in terms of programme and policy advice. The Secretariat had noted those suggestions and would act accordingly.

180. He thanked the representative of India for the announcement that $50,000 out of India's voluntary contribution would be allocated to funding projects in Africa.

181. **Mr. MARUNO** (Managing Director, Investment and Technology Promotion Division) thanked all

delegations that had expressed their appreciation and support for the investment promotion programme. He hoped that the new initiatives would lead to significant improvements in the quality of UNIDO services.

182. Attention had been drawn to the importance of follow-up activities. The Secretariat was fully conscious of that question; indeed one of the basic objectives of the newly established investment and technology promotion initiatives in New Delhi was to follow up on the Intechmart organized during the previous year.

JOINT INSPECTION UNIT (IDB.16/12)

183. **Mr. TAKIZAWA** (Secretariat) drew attention to the contents of the Joint Inspection Unit (JIU) reports in documents JIU/REP/96/1, JIU/REP/95/2 and JIU/REP/95/12. The first of those reports had recommended that UNCTAD should avoid duplication of work with other bodies and should strengthen its technical cooperation activities. UNIDO recognized that need and had entered into a new partnership relationship with UNCTAD earlier in the year. The second report found that United Nations system organizations generally lacked a culture of accountability and issued a number of recommendations to remedy the situation. The UNIDO Secretariat was pleased to note that most of the recommendations had already been put into effect by UNIDO during the reform process.

184. The third report found that the New Agenda for the Development of Africa in the 1990s still had little impact on the ground. However, the launching of the Alliance for Africa's Industrialization was an important contribution to the implementation of the Agenda.

185. There had recently been growing concern about value for money in the work of JIU. Indeed, General Assembly resolution 50/233 called for a number of measures to improve the cost-effectiveness of the Unit. The Administrative Committee on Coordination had requested a review of the rules, function and input of JIU, to be carried out by an independent body in 1997.

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (IDB.16/14)

186. **The PRESIDENT** said that, although the main discussion of the item had been rescheduled for the next meeting, when an introductory statement would be made by a Secretariat representative, he would give the floor to the representative of Colombia, whose work commitments did not permit him to attend that meeting.

187. **Mr. BULA CAMACHO** (Colombia) said that it was important for the present session of the Board to consider the implementation of the Organization's reforms, the programme for the industrialization of the least developed countries and the Second Industrial Development Decade for Africa, a continent with which Colombia wished to express its solidarity. Colombia regretted the withdrawal from UNIDO of the United States of America, which had still to pay its assessed contributions, and requested the Secretariat to keep the Board informed on the matter. The UNIDO office in Bogota had proved successful and had cooperated with the Government of Colombia and it was important to take account of the work of such offices.

188. The UNIDO contribution to the System-Wide Action Plan on Drug Abuse Control was an important aspect of the Organization's work and should be reflected in concrete decisions with regard to the Organization's financial situation, its financial regulations and the medium-term programmes. The subject was of great interest to his country and Colombia would, in due course, be submitting to UNIDO a comprehensive proposal for work. While Colombia welcomed UNIDO's contribution to the Action Plan and the strengthening of international cooperation in that area, it was opposed to unilateral interference.

189. The suggestion made by the President of Colombia at the recent session of the General Assembly had opened up new prospects for the multilateral system to eliminate the scourge of drugs, and he trusted that the international community would support the actions that were being implemented in Colombia in the fight against drug trafficking. Many international bodies had made valuable contributions to the crop substitution plan in operation in Colombia which he hoped it would be possible to develop under general agreements between Colombia and UNIDO.

190. Finally, he invited UNIDO to hold the seventh session of its General Conference in Cartagena, Colombia.

PERSONNEL MATTERS (IDB.16/17; IDB.16/CRP.1)

APPOINTMENT OF MANAGING DIRECTORS (IDB.16/25)

191. **Mr. LAESSIG** (Director, Personnel Services), introducing item 13 ("Personnel matters"), said that document IDB.16/17 provided information on the completion of the scheme of separation of personnel, the composition of the Secretariat and other personnel matters. While only 13 staff members' appointments had had to be terminated under the non-voluntary phase of the staff reduction programme, a further four staff members' appointments would be terminated at the end

of their assignment to peace-keeping missions if no alternative employment possibilities arose. That represented only 9.5 per cent of the 179 staff separations effected under the staff reduction programme or arising from natural attrition between 31 December 1995 and 1 August 1996. As shown in table 1 of document IDB.16/17, the highest percentages of staff departures had occurred among General Service personnel in the Division of Administration.

192. The Secretariat intended to report regularly to the Board variations since 31 December 1995, i.e. the end of the previous biennium, with a view to monitoring the evolution of the gender and nationality mix. Table 2 showed that staff numbers had decreased by 21 per cent in the General Service category and by 11 per cent in the Professional category, meaning additional promotion opportunities for more junior staff. During the voluntary phase of the staff separation programme, relatively more female than male staff had left the Organization, female representation having fallen by 1 per cent.

193. Table 3 indicated reductions in Professional staff in posts subject to geographical distribution, by regional grouping. The number of such staff members in lists A and C combined had decreased by 13.7 per cent, in list B by 8.5 per cent, and in list D by 5.9 per cent. The average reduction between 31 December 1995 and 1 August 1996 was in the region of 10 per cent.

194. The Secretariat was redoubling its efforts to compensate for the high losses in posts subject to geographical distribution involving nationals of countries in lists A and C, and also to achieve a better geographical balance in the future. As stated in the report of the Director-General to the Board at its fifteenth session (IDB.15/4), the revised informal desirable ranges of representation would be followed as from January 1997. The Board would be provided at its next session with updated information on geographical representation, including the results of a recruitment campaign aimed at improving the representation of nationals from unrepresented and underrepresented Member States, in particular from lists A and C.

195. Chapter III of document IDB.16/17 referred to the introduction of the new staff performance evaluation system, which involved three main phases. The first phase had been completed, the second was in process of completion, and the third was expected to be completed in February 1997. The system was a major management tool, which had already shown encouraging results with regard to communications, the team approach, and the strengthening of linkages between individual objectives, unit objectives and corporate goals.

196. The new placement and promotion system had now been introduced. Also, considerable progress had been achieved in simplifying procedures, delegating and decentralizing personnel authority, and pursuing a customer-friendly approach to the provision of personnel services. Further details were to be found in paragraph 58 of document IDB.16/18.

197. Document IDB.16/CRP.1, listing the Secretariat staff as at 1 November 1996, was an update of the list issued at the last Board session. Annex II (pages 21 and 22), showing field office representation, now included all country office staff excluding project personnel. Annex VI (pages 31 to 39) indicated the staff in decreasing grade order and alphabetically within each grade.

198. **Mr. BOURITA** (Morocco), referring to agenda item 14, proposed that the deliberations on the item be deferred until the next day, since consultations which had a direct bearing on the course of those deliberations were in progress and were expected to be completed by then.

199. *It was so decided.*

200. **Mr. AL-GHAIS** (Observer for Kuwait), speaking on behalf of the Arab Group, said that the Arab States had proposed a number of highly qualified candidates, both men and women, for posts in UNIDO. However, the promises made had so far not been reflected in concrete action. In the Arab Group's view, its representation in the Secretariat was not on the scale that it merited or at a level compatible with its contribution to the budget; nor did it take into account the principle of geographical distribution or the policy of increasing the representation of women.

201. The post of Director of the Arab Countries Bureau had remained vacant for some time despite the submission by the Arab States of a number of candidatures of highly qualified persons with considerable experience. The Arab Group hoped that the position would be filled as soon as possible and that the Director-General would take steps to improve the representation of the Arab countries in UNIDO posts, particularly at the higher levels.

202. **Ms. PRIANSARI** (Indonesia), referring to recent developments in relation to the reform of personnel policies, as reported in document IDB.16/17, said that Indonesia welcomed the introduction, in January, of the new staff performance evaluation system. It believed that the new system would enhance managerial effectiveness and accountability, and would in turn improve the performance of UNIDO in discharging its mandate.

203. Regarding the composition of the Secretariat, her delegation wished once again to underline the importance of recruiting staff on the basis of the well-established international civil service recruitment policy, i.e. according to the principle of rotation allowing for equitable geographical distribution.

204. **Mr. TOOTOONCHIAN** (Islamic Republic of Iran) said that, despite the Director-General's assurances that due regard would be paid to the principle of equitable geographical distribution in the Secretariat within the context of the reform process, as noted in decision IDB.15/Dec.9, the composition of the Secretariat, as shown in tables 2 and 3 of document IDB.16/17, revealed a disproportionate reduction in Professional staff members from States in lists A and C, which had already been underrepresented. His delegation hoped that the impact of the reform process would enable the Director-General to announce an improvement in the situation at the next Board session.

205. The recent increase in the number of Member States, coupled with a 25 per cent decrease in posts, should have resulted in a reduction in the upper limit of the desirable ranges for some countries. Unfortunately, there had still been no change in the number of staff from some countries where the upper limit of the desirable range had always been exceeded. To maintain such a situation, with many developing countries unrepresented or underrepresented, was not in keeping with the Constitution or with many other resolutions and decisions adopted.

206. Concerning the recruitment of staff, his delegation appreciated the Secretariat's efforts to attract qualified candidates from industry-related organizations and by circulating vacancy announcements using electronic mail. As a result of such measures, the Organization had, according to document IDB.16/18, received over 90 official applications for three positions, between 52 and 75 per cent of such applications having come from developing countries. That would give the Organization ample opportunity to increase the representation of more Member States in the Secretariat and to maintain an adequate regional balance.

207. With regard to the streamlining of the selection procedure for new staff, as described in document IDB.16/18 (paragraphs 38 and 39) and in other reports and bulletins on personnel issues, his delegation felt that the establishment of, *inter alia*, different placement and promotion procedures, a core group and a recruitment and staff development section would only serve to complicate the system. In order to eliminate any possible duplication of functions in the system, particular importance should be attached to harmonizing the activities of the various sections.

208. **Mr. ZAIDE** (Philippines) said that his delegation wished to associate itself with the desire consistently expressed by the Group of 77 for greater and appropriate representation and participation of the developing countries, particularly unrepresented States, in UNIDO.

209. **Mr. HALIM MOHAMED** (Sudan) said that many speakers at the current session had expressed the view that advantage should be taken of the reform and restructuring of UNIDO in order to re-establish a balance in the composition of the Secretariat, particularly with regard to the representation of the developing countries. The same applied to the question of gender balance. The representatives of the Arab and African Groups had noted with concern that the situation had not only failed to improve but had in fact deteriorated. He wished to appeal to the Director-General, as the person responsible for the appointment of new staff members, to study all the candidatures submitted to him and to ensure that every effort was made to achieve an equitable geographical distribution of posts as soon as possible. The Director-General had already carried out extensive consultations with the regional groups concerned and been apprised of the views of the Ministries of Industry of the Arab countries.

210. His delegation noted that some States Members of the United Nations were not Members of UNIDO and that some States Members of UNIDO were expected to cease to be so, yet those countries were well represented in the Secretariat. Perhaps some thought should be given to that situation, with a view to adjusting regional representation.

211. **Mr. DE MARIA Y CAMPOS** (Director-General) said that, while he realized that the issues of geographical and gender representation were very important for Member States and called for urgent attention, his task had been rendered difficult by the reduction of the budget and the freezing of many posts owing to non-receipt of payments. His first obligation was to ensure that staff members at whatever level met the necessary requirements for the post and possessed the necessary skills and moral character. However, within those requirements, he took due account of the question of geographical and gender representation.

212. It was his aim to increase the participation of women in the Organization. The fact that there had been only a slight overall change—1 per cent—in the representation of women following the large reduction in personnel was not due to coincidence or accident but was a consequence of a deliberate policy pursued. On the one hand, throughout the staff reduction exercise, he had endeavoured to retain women staff members, particularly from unrepresented or underrepresented countries. On the other hand, with regard to recruitment,

despite all the efforts made by the Secretariat, very few applications for vacant posts were received from female candidates.

213. The lack of women candidates was also a problem in regard to the representation of the Arab States in the Organization. However, an Egyptian woman had recently been appointed in the Industrial Sectors and Environment Division and other female candidates were currently under consideration for possible recruitment. While virtually all regions had suffered the effects of the staff reduction exercise, the Arab region had hardly been affected. Particular attention was being paid in the recruitment process to ensuring an increase in the participation of unrepresented countries, for example the Gulf States, and of countries whose nationals had recently had their appointments terminated.

214. Concerning the post of Director of the Arab Countries Bureau, it was true that many candidatures had been received and extensive consultations had been held. While it had been argued that a non-Arab national might occupy that position, he and, he believed, most Arab States were opposed to such an approach, which would be contrary to the tradition established for all heads of the regional bureaux. He expected that the Appointment and Promotion Board would meet within the coming weeks to recommend a decision.

215. In conclusion, he was committed to increasing the participation of unrepresented or underrepresented countries in the Organization and hoped that the new recruitment mechanisms and career development philosophy would ensure appropriate representation, both generally and at the various levels of management, within the Organization.

216. **Mr. LAESSIG** (Director, Personnel Services) said that he wished to assure all Member States of the commitment of UNIDO's management to a proper geographical distribution of posts. It was a question not so much of numbers and percentages, but rather of the quality of the programmes delivered by the Organization.

217. One major change in staff policy had been the introduction of the notion of managerial accountability, and the staff performance evaluation system would include an assessment of the degree of managers' achievement of nationality and gender targets.

218. In 1995, the Director-General had issued a bulletin establishing a combined placement and recruitment target of 33 per cent of vacant posts to be filled by women. It was hoped that that step would bring about an improvement in gender balance over time. He recalled the employment target for Professional-level women in posts subject to geographical distribution of 30 per cent, and for senior-level women (P-5 and above) of 15 per cent.

219. On the question of nationality of staff, internal guidelines would be established to increase the appointments of nationals from countries in lists A and C.

220. All those measures could be effective only if staff were actually being recruited. With regard to Professional posts subject to geographical distribution, only one selection committee examining a single vacancy had met since April. However, a number of announcements of vacancies, including posts at the P-3, P-4, P-5 and D-1 levels, had been distributed earlier in the year, and the selection committees would consider the candidatures in December and January. He therefore hoped that it would be possible to announce an improvement in ratios to the Board at its next session.

221. As indicated in document IDB.16/19 on field representation, a core of Professional personnel would be built up in the field offices. Those staff members would be administered under the 100 Series Staff Rules, their posts thus being subject to geographical distribution. That would mean an improvement in geographical balance, since several staff from countries in lists A and C would be involved.

222. Steps had been taken to advertise vacancies on a commercial basis in economic publications and other specialized journals, as well as by the use of electronic mail. A review of recruitment rosters had been initiated taking account of the aspects of nationality mix and gender, in order to achieve a good balance.

223. A number of persons had been appointed to posts not subject to geographical distribution, where gender and nationality balance was encouraging. Those persons might eventually be considered for regular appointments, which would help to improve the balance.

224. With regard to one delegation's comments concerning possible complications stemming from the new placement and promotion system, he wished to emphasize that under the new system, scheduled to take effect next January, staff vacancies would be filled on the basis of competition, and there would accordingly be no regular promotion reviews but rather selection committees. That would enhance the quality of the staff and improve career development.

225. Turning to the point raised concerning a better staffing balance in regard to nationals of States which were no longer Members of UNIDO, the situation had

improved as a result of natural attrition due to the expiry of employment contracts, retirement and other reasons. For example, the number of United States staff members had, since the last report to the Board, fallen from 22 to 18.

226. Finally, he wished to mention that real improvements in recruitment could be achieved only if the Organization's budget could again be increased. That had been the main problem to date.

The meeting rose at 8 p.m.

Distr.
GENERAL

IDB.16/SR.4
20 December 1996

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Sixteenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 22 November 1996, at 10 a.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
14	Appointment of Managing Directors *(continued)*	1 - 20
12	UNIDO contribution to the System-Wide Action Plan on Drug Abuse Control	21 - 41
15	Preparations for the seventh session of the General Conference	42 - 45

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Distr.: 8 January 1997

The meeting was called to order at 10.55 a.m.

APPOINTMENT OF MANAGING DIRECTORS *(continued)* (IDB.16/25)

1. **Mr. BENMOUSSA** (Morocco) said that he had initially intended to address the Board prior to any decision on the agenda item. Other matters had prevented him from attending previous meetings of the current session. Having just learnt of the emergence in informal consultations of a draft text on which consensus had been reached within both the Group of 77 and the European Union and associated States, he did not wish to prejudice the course of the Board's deliberations and urged the President to proceed to submit the text to the Board, and invite delegations to comment on it after its adoption.

2. **Mr. INDELICATO** (Italy) asked whether it would be procedurally allowable for him to read out the draft text for approval. He wished to emphasize that it concerned the appointment of Managing Directors, not the approval of their appointments.

3. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that since, at a meeting held in October, the Board had been apprised by the Director-General of the appointment of the three Managing Directors in question, it would presumably be in order for the Board, without encroaching upon the prerogatives of the Director-General, to declare that it had taken note of such information.

4. **Mr. POSTA** (Hungary) said that, as he saw it, the Board had two options: the text could either be summarized by the President and form part of the records or be submitted to the Board in the form of a written draft decision.

5. **Mr. YUSUF** (Legal Adviser) confirmed that those two options were open to the Board.

6. **Mr. HALIM MOHAMED** (Sudan), supported by **Mr. FULLAM** (Ireland) and **Mrs. OK** (Turkey), proposed that the first option put forward by the representative of Hungary be taken up. That was the simpler and less time-consuming solution.

7. **Mr. KAYALAR** (Secretary of the Board) suggested that, in line with the practice followed in the past when no draft decision had been submitted on an agenda item, the President should read out the text and ask the Board if it wished to take note of the information contained in it.

8. **Mr. BENMOUSSA** (Morocco), supported by **Mr. AHMADI** (Islamic Republic of Iran), said that, as he understood it, the text would not be sponsored by any one State but would be a consensus decision read out by the President.

9. **The PRESIDENT** said that, if he heard no objection, he would assume that the Board wished to take note of the appointment of the following Managing Directors:

Jean-Marc Deroy, Division of Administration

Nilmadhab Mohanty, Research and Publications Division

Angelo d'Ambrosio, Industrial Sectors and Environment Division

10. *It was so decided.*

11. **Mr. AZUMA** (Japan) said that his delegation did not understand why the Board had to take note of the appointments of Managing Directors. While he went along with the procedure adopted for the conduct of the present meeting, he wished to make clear that, in his delegation's view, Board approval of such appointments was unnecessary.

12. **Mr. HALIM MOHAMED** (Sudan), supported by **Mr. INDELICATO** (Italy), said that taking note did not constitute approval. The Board had agreed to include an agenda item, and had to take action on it. In the informal consultations held, however, the conclusion had been reached that, rather than produce a draft decision at such a late stage, it would be preferable for the Board simply to take note of the appointments.

13. **Mr. SOKOLOV** (Russian Federation) said that he shared the misgivings expressed by the representative of Japan. The procedure for appointing Managing Directors of UNIDO had been the subject of detailed discussion at meetings of the policy-making organs; any further deliberations could hardly contribute anything new. The appointment of Managing Directors, like that of other staff members, was governed by the first sentence of Article 11, paragraph 5, of the Constitution, which clearly laid down the Director-General's powers in that regard. The Board had already adopted a decision on the matter at its last session (IDB.15/Dec.2), in which the Director-General was urged to conduct more consultations with Member States and the representatives of regional groups to obtain their views on the appointment of Managing Directors, without prejudice to his constitutional authority and the staff regulations. The Director-General had, within the limits of his responsibility, held such consultations with Member States in

conformity with that decision and in response to the desire for greater transparency in the Secretariat's staff policy, particularly in regard to the filling of posts in the upper echelons of the Organization.

14. **Mr. BOURITA** (Morocco) said that transparency and mutual trust were the guarantee of the success of any human endeavour and lay at the basis of the United Nations. It had been a concern for strict observance of decisions taken that had prompted his delegation's proposal for the inclusion on the agenda of the item under discussion.

15. At its last session, the Board had, with the aim of strengthening dialogue between the Secretariat and Member States, adopted decision IDB.15/Dec.2, urging the Director-General to conduct more consultations with Member States and representatives of regional groups to obtain their views on the appointment of Managing Directors. At the meeting held in October on that subject, a genuine process of consultation had been expected. However, the Director-General had limited himself to announcing the names of the candidates whom he had selected, and he had even refused to make available their curricula vitae.

16. Following the abolition of the posts of Deputy Director-General in 1993, the Managing Directors had become the second highest level of authority in the Organization after the Director-General. As stated in document GC.5/23, the D-2 posts would constitute the first management level under the Director-General. They could also, at certain times, constitute the top level of managerial authority, since it had been pointed out that they could replace the Director-General on an interim basis, in rotation, fulfilling a number of functions ranging from daily administration to project approval.

17. His delegation wished to request that decision IDB.15/Dec.2 be implemented in full, in order to ensure that genuine consultations took place with Member States before each appointment of a Managing Director. Also, prior notification should be given whenever any Managing Director deputized for the Director-General in his absence.

18. **Mr. FULLAM** (Observer for Ireland), speaking on behalf of the European Union, said that the Director-General's responsibility for the appointment of all staff members of UNIDO was clearly stated in Article 11, paragraph 5, of the Constitution; there was no role for the Board in the matter. The arguments advanced in favour of Board approval of the appointment of Managing Directors did not stand up to scrutiny, and there was no legal basis for such a proposal. Article 11, paragraph 5, of the Constitution provided only for the approval, by the Board, of the appointment of Deputy Directors-General. That post level had been abolished some years previously and no decision had been taken to upgrade the level of Managing Director to that of Deputy Director-General. Article 11, paragraph 5, could not therefore be construed as applying to Managing Directors.

19. The European Union did not wish to see the Director-General's constitutional responsibility for appointing his staff diminished in any way; nor did it wish to have the role of the Director-General in shaping the Organization in the personnel area reduced.

20. **Mr. AHMADI** (Islamic Republic of Iran) said that his delegation supported the President's statement and welcomed the appointment of the new Managing Directors. However, the welcoming of such appointments was without prejudice to the number of Managing Directors or post allocation to regional groups.

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (IDB.16/14)

21. **Ms. TCHEKNAVORIAN-ASENBAUER** (Managing Director, Industrial Sectors and Environment Division) said that the programme had begun almost 10 years previously, especially in relation to problems of licit production in India. Licit production could also lead to trafficking because mountains of products accumulated, with the resultant problem of controlling the production and ensuring its use in licit ways.

22. UNIDO had also begun activities aimed at the replacement of illicit products. However, it was not enough to change to another product because it was necessary to create a market for the replacement product so that the farmers would have a monetary return for their work and so that they and their families could survive. Accordingly, attention had been devoted to the economic aspects of the question. UNIDO had begun to introduce certain products of agro-industry with high added value. It had been shown that it was not merely necessary to propose a replacement product but also to develop a rural industrial infrastructure so that the farmer could have access to a market close to his farm, where initial processing could take place, thus creating added value and contributing to poverty alleviation. From such rural centres, goods could be transported in smaller amounts for final processing and marketing.

23. That approach had been adopted in the Chapare area of Bolivia, and efforts were being made to involve farmers in industrial processing of the new crops. The transfer of appropriate technologies, training in management and production and marketing promotion activities were among the important items to be

considered. Funding was being sought for three project proposals on those lines.

24. A study had also been undertaken to explore the feasibility of producing orange juice in Los Yungas, Bolivia. The Government had expressed an interest in involving UNIDO in discussions with the private sector in order to set up a processing plant.

25. At the request of the Peruvian Government, UNIDO had undertaken a study to identify investment opportunities in the San Martin area. A project proposal was being prepared.

26. A project document based on an extensive study of the social, economic and climatic conditions of the Dir district in Pakistan had been signed by the Government of Pakistan. The objective of the project was to promote private sector investment in high-value added food products as substitutes for the illicit cultivation of poppy. The project was now being processed at UNIDO Headquarters.

27. Short-term technical assistance and advisory services had been provided to Morocco to identify crops that could be grown in areas prone to illicit cultivation activities. A draft proposal had been prepared and submitted to the Government.

28. UNIDO was trying to create capacity in developing countries that were vulnerable to the danger of entering into illicit production. It was important to allow activities to be initiated by the people themselves; adequate funding was not available for UNIDO to cover all projects and it was not possible to be active everywhere. UNIDO had therefore developed a very long-term group training programme on the industrial utilization of medicinal and aromatic plants, which was already in its eighth year in the Plant Research Centre in Turkey. Ten more participants from developing countries had been included in the programme in the current year. The course covered cleaner production and environmental conservation. It also included the detection of illicit production of drugs and psychotropic substances. Hands-on experience was expected to enable some participants to initiate alternative development activities in and around illicit crop-growing areas.

29. The programme was a very important contribution to social, economic and rural development and to poverty alleviation. UNIDO was taking special note of the need to concentrate more on the African region, for which it intended to introduce special programmes as from 1997.

30. **Ms. SJÖLANDER** (Sweden) said that her delegation had noted with satisfaction UNIDO's continued response to the System-Wide Action Plan on Drug Abuse Control. She welcomed the close cooperation between UNIDO and UNDCP and the operational activities undertaken by UNIDO in the area of drug control.

31. It was important to include those activities in the System-Wide Action Plan in order to ensure co-ordination and complementarity among United Nations agencies.

32. The intention of the System-Wide Action Plan was not so much to assemble a number of existing projects related to drug control and present them as a programme as to define at a very early stage of the programme cycle the responsibilities and comparative advantages of all organizations of the United Nations system active in a given country.

33. The statement by the Managing Director of the Industrial Sectors and Environment Division showed that UNIDO was in agreement with that principle. She was also happy to note that emphasis was being placed on capacity-building and on local initiatives at all levels in the recipient countries. Her delegation would like to give UNIDO all encouragement in that very important but also very difficult field of work.

34. **Mr. DAVIS** (International Network for Environmental Management) said that his organization, INEM, was an international business-based non-governmental organization which federated environmental management associations, cleaner production centres and similar production centres in over 30 countries, half of its members being in developing countries and countries in transition. His organization's goals were to help business and industry improve their environmental—and hence economic—performance through the application of an integrated approach defined as environmental management.

35. It could be said that his organization tried to democratize access to higher environmental performance for companies of all sizes in all countries by developing, adapting and spreading practical tools. It sought to destroy two myths: namely, that environmental protection always cost money and that it was only a luxury for large companies or companies in rich countries. Since 75 to 80 per cent of INEM's members were small and medium enterprises (SMEs), its policy was to create and spread tools adapted to small and medium-sized companies and to companies in developing countries and countries in transition. Those principles had been applied very actively in work within the International Organization for Standardization (ISO) over the previous five years, in developing the environmental management standards known as the ISO 14000 series.

36. INEM was recognized as an organization at the forefront of business in regard to environmental matters, though it was not an exclusive club of green companies but also included the largest polluters among its membership.

37. INEM had been working with UNIDO for five years, beginning with its contribution to the Copenhagen Conference on Ecologically Sustainable Industrial Development. It was also closely linked to UNIDO through the cleaner production centres, most of which were affiliated to INEM, and had worked with it, for instance, at Habitat II and at the NGO Forum on Cleaner Industrial Production. His organization shared the goal of promoting the harmonious industrial development of developing and transition countries.

38. However, his organization still saw a large potential of unused synergies. It therefore believed it was time to intensify and deepen cooperation. He suggested entering into a strategic alliance with UNIDO to better use respective strengths and to better achieve common goals in the most cost-effective manner. Such a decision could be part of the more general drive of UNIDO to increase its direct interaction with the private sector, as shown by the creation of various types of business councils. It would also strengthen UNIDO's efforts in favour of SMEs.

39. UNIDO and INEM had complementary strengths. INEM's roots in the business world and its expertise in the practical aspects of convincing business that an environmentally performing company was a healthier and richer company meant that it promoted UNIDO's policy of ecologically sustainable industrial development. An alliance between UNIDO and INEM would set an example and would send a message to donors, businesses and non-governmental and intergovernmental organizations, as well as to the coming special session of the General Assembly. It would put into practice elements of Agenda 21 which called for new and innovative partnerships to be forged, especially with non-governmental organizations and the private sector. It would also increase pressure on business to become involved in the implementation of Agenda 21.

40. Finally, it would send an important message to the donor community and would help to mobilize private efforts and know-how. He looked forward to increased and mutually beneficial cooperation with UNIDO.

41. **Ms. TCHEKNAVORIAN-ASENBAUER** (Managing Director, Industrial Sectors and Environment Division) thanked the representative of Sweden and the representative of Colombia, who had spoken on the previous day, and said that the points made would be noted and considered in programme elaboration in years to come. She was grateful for the support expressed for the very important programme under discussion.

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (IDB.16/20; IDB.16/CRP.3)

42. **Mr. AHMADI** (Islamic Republic of Iran), supported by **Mr. PURNOMO** (Indonesia), proposed that an item on the geographical distribution of Managing Directors be included in the provisional agenda of the seventh session of the General Conference.

43. *It was so decided.*

44. **Mrs. KLEIN BALLESTEROS** (Colombia) confirmed her Government's offer to host the seventh session of the General Conference at Cartagena. Previous General Conference sessions had been held in Asia and Africa, and Latin America would be honoured to host the seventh session. The proposal would of course be submitted to consultation with other Member States.

45. **Mr. DE MARIA Y CAMPOS** (Director-General) expressed appreciation for the offer. However he pointed out that it had been decided at the previous session of the General Conference that the next session would be held in Vienna. He would welcome guidance on whether he should consult Member States by correspondence or other means on a possible change of venue.

The meeting rose at 12.10 p.m.

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IDB.16/SR.5
20 December 1996

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Sixteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 22 November 1996, at 5 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

CONTENTS

Agenda item		*Paragraphs*
-	Introduction of draft decisions	1 - 3
3	Annual report of the Director-General on the activities of the Organization in 1995, including progress report on specific activities *(continued)*	4 - 5
4	Implementation of the reform *(continued)*	6 - 7
5	Report of the Programme and Budget Committee:	
	(a) Implementation of the programme and budgets, 1996-1997	
	(b) Financial situation of UNIDO	
	(c) Report of the External Auditor, financial performance report and programme performance report for the biennium 1994-1995	
	(d) Financial regulations	

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CONTENTS *(continued)*

Agenda item		*Paragraphs*
	(e) Industrial Development Fund and other voluntary contributions (f) Ceiling of assessments (g) Withdrawal of the United States of America from UNIDO (*continued*)	8 - 25
6	Second Industrial Development Decade for Africa *(continued)*	26 - 27
7	Industrialization of the least developed countries *(continued)*	28 - 29
8	Field representation *(continued)*	30 - 31
9	Industrial investment promotion *(continued)*	32 - 33
10	Medium-term programme framework, 1998-2001 (including general ceiling for the biennium 1998-1999) *(continued)*	34 - 35
11	Joint Inspection Unit *(continued)*	36 - 37
12	UNIDO contribution to the System-Wide Action Plan on Drug Abuse Control *(continued)*	38 - 41
13	Personnel matters *(continued)*	42 - 43
14	Appointment of Managing Directors *(continued)*	44 - 45
15	Preparations for the seventh session of the General Conference (*continued*)	46 - 49
16	Provisional agenda and date of the seventeenth session (*continued*)	50 - 58
17	Adoption of the report	59 - 62
18	Closure of the session	63 - 86
	A. Membership in UNIDO	63 - 73
	B. Retirement of a UNIDO Managing Director	74 - 79
	C. Closing statements	80 - 86

The meeting was called to order at 5.10 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.16/L.2-L.19)

1. **The PRESIDENT** said that agenda items 3-16 were still open for the adoption of decisions. A number of draft decisions, most of which had already been discussed in informal consultations, were now before the Board for consideration (IDB.16/L.2-L.19).

2. **Mr. POSTA** (Hungary), speaking as chairman of the informal consultations, informed the Board that consensus had been reached on all draft decisions except that on agenda item 16, ("Provisional agenda and date of the seventeenth session"). The preparatory work carried out prior to the present session had greatly facilitated the drafting exercise.

3. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations to the Board as his drafts.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1995, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/26; IDB.16/L.2)

4. **The PRESIDENT** drew the Board's attention to draft decision IDB.16/L.2 on arrangements for the establishment of an international centre for hydrogen energy technologies.

5. *The draft decision was adopted.*

IMPLEMENTATION OF THE REFORM (*continued*) (IDB.16/18; IDB.16/L.15)

6. **The PRESIDENT** drew attention to draft decision IDB.16/L.15.

7. *The draft decision was adopted.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) IMPLEMENTATION OF THE PROGRAMME AND BUDGETS, 1996-1997

(b) FINANCIAL SITUATION OF UNIDO

(c) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1994-1995

(d) FINANCIAL REGULATIONS

(e) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

(f) CEILING OF ASSESSMENTS

(g) WITHDRAWAL OF THE UNITED STATES OF AMERICA FROM UNIDO

(*continued*) (IDB.16/2, IDB.16/3, IDB.16/4, IDB.16/5 and Corr.1, IDB.16/6 and Add.1, IDB.16/7, IDB.16/8, IDB.16/9, IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/21, IDB.16/22, IDB.16/24; IDB.16/CRP.2, IDB.16/CRP.6; IDB.16/L.8-14, IDB.16/L.19)

8. **The PRESIDENT** drew attention to draft decision IDB.16/L.8 on sub-item (a), "Implementation of programme and budgets, 1996-1997".

9. *The draft decision was adopted.*

10. **The PRESIDENT** drew attention to draft decision IDB.16/L.9 on sub-item (b) "Financial situation of UNIDO".

11. *The draft decision was adopted.*

12. **The PRESIDENT** drew attention to draft decision IDB.16/L.10 on the timely payment of assessed contributions, which was also related to sub-item (b).

13. *It was so decided.*

14. **The PRESIDENT** drew attention to draft decision IDB.16/L.11 on UNIDO participation in activities financed by the Multilateral Fund for the Implementation of the Montreal Protocol.

15. *The draft decision was adopted.*

16. **The PRESIDENT** drew attention to draft decision IDB.16/L.19 on sub-item (c), "Report of the External Auditor, financial performance report and programme performance report for the biennium 1994-1995".

17. *The draft decision was adopted.*

18. **The PRESIDENT** drew attention to draft decision IDB.16/L.12 on sub-item (d), "Financial regulations".

19. *The draft decision was adopted.*

20. **The PRESIDENT** drew attention to draft decision IDB.16/L.13 on sub-item (e), "Industrial Development Fund and other voluntary contributions".

21. *The draft decision was adopted.*

22. **The PRESIDENT** said that no draft decision had been submitted on sub-item (f) "Ceiling of assessments". He proposed that the Board take note of the information provided by the Secretariat on the subject in the annotated agenda.

23. *It was so decided.*

24. **The PRESIDENT** drew attention to draft decision IDB.16/L.14 entitled "Implications of United States withdrawal", submitted under sub-item (g), "Withdrawal of the United States of America from UNIDO".

25. *The draft decision was adopted.*

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (*continued*) (IDB.16/15, IDB.16/16 and Add.1; IDB.16/L.3)

26. **The PRESIDENT** drew attention to draft decision IDB.16/L.3.

27. *The draft decision was adopted.*

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (*continued*) (IDB.16/13; IDB.16/L.4)

28. **The PRESIDENT** drew attention to draft decision IDB.16/L.4.

29. *The draft decision was adopted.*

FIELD REPRESENTATION (*continued*) (IDB.16/19; IDB.16/L.5)

30. **The PRESIDENT** drew attention to draft decision IDB.16/L.5.

31. *The draft decision was adopted.*

INDUSTRIAL INVESTMENT PROMOTION (*continued*) (IDB.16/11; IDB.16/CRP.5; IDB.16/L.6)

32. **The PRESIDENT** drew attention to draft decision IDB.16/L.6.

33. *The draft decision was adopted.*

MEDIUM-TERM PROGRAMME FRAMEWORK, 1998-2001 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1998-1999) (*continued*) (IDB.16/23 and Add.1; IDB.16/L.17)

34. **The PRESIDENT** drew attention to draft decision IDB.16/L.17, pointing out that, owing to a printing error, the phrase "without constituting a precedent," had been omitted in subparagraph (e) after the phrase "with a ceiling lower than zero real growth.".

35. *The draft decision, as corrected, was adopted.*

JOINT INSPECTION UNIT (*continued*) (IDB.16/12)

36. **The PRESIDENT** said that no draft decision had been submitted on agenda item 11. He proposed that the Board take note of the information provided by the Secretariat on the subject.

37. *It was so decided.*

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (*continued*) (IDB.16/14, IDB.16/L.7)

38. **The PRESIDENT** drew attention to draft decision IDB.16/L.7.

39. **Mr. CHAUMY** (Peru), supported by **Mrs. KLEIN BALLESTEROS** (Colombia), referring to subparagraph (f) (ii)(c) of the draft decision, said that the term "narcotic crops" was inappropriate and proposed that it should be replaced by a phrase along the following lines: "crops based on plants some components of which may be used for the preparation of psychotropic substances or narcotic drugs".

40. *It was so decided.*

41. *The draft decision, as amended, was adopted.*

PERSONNEL MATTERS (*continued*) (IDB.16/17; IDB.16/CRP.1; IDB.16/L.16)

42. **The PRESIDENT** drew attention to draft decision IDB.16/L.16.

43. *The draft decision was adopted.*

APPOINTMENT OF MANAGING DIRECTORS (*continued*) (IDB.16/25)

44. **The PRESIDENT** said he took it that the Board wished to include in its report on this item the text that had been agreed on at the previous meeting.

45. *It was so decided.*

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.16/20; IDB.16/CRP.3)

46. **The PRESIDENT** expressed the Board's appreciation of the kind offer made by Colombia to hold the seventh session of the General Conference in Cartagena. Owing to a decision taken by the fifth session of the General Conference, it was unfortunately not possible to accept that offer at the present stage. Should Colombia wish to extend an offer to host the eighth session of the General Conference, it might wish to make that proposal on the occasion of the seventh session.

47. He recalled that, at its preceding meeting, the Board had agreed to the inclusion of a new agenda item entitled "Geographical distribution of Managing Directors" in the tentative provisional agenda for the General Conference.

48. **Mr. AZUMA** (Japan), supported by **Mrs. OK** (Turkey), proposed that an item entitled "Industrial investment promotion" should be included in the agenda for the General Conference.

49. *It was so decided.*

PROVISIONAL AGENDA AND DATE OF THE SEVENTEENTH SESSION (*continued*) (IDB.16/CRP.3, IDB.16/CRP.4; IDB.16/L.18)

50. **The PRESIDENT** drew attention to draft decision IDB.16/L.18.

51. **Mr. FULLAM** (Observer for Ireland), speaking on behalf of the European Union, said that the square brackets placed around sub-item (c) of item 17 of the proposed provisional agenda, which referred to the geographical distribution of Managing Directors, had been requested by the European Union, with the support of many other delegations, who shared the view that the Director-General discharged his responsibilities in accordance with his prerogative to appoint staff, which was fully and adequately covered in article 11, paragraph 5, of the UNIDO Constitution. There was no good reason why the criteria set out in that paragraph should apply in any different manner to the appointment of Managing Directors and there was consequently no basis for including the proposed additional sub-item in the agenda of the Board's seventeenth session.

52. **Mr. AHMADI** (Islamic Republic of Iran) stressed that the proposed additional sub-item referred only to the geographical distribution of Managing Directors and not to their appointment. Furthermore, a distinction needed to be made between the current situation in relation to Managing Directors and the situation prevailing in the Organization before the restructuring process, which was the situation to which the Constitution related. It was worth noting that even after the restructuring process had commenced, the Board had discussed the need for the equitable geographical distribution of Managing Directors, as indicated by decision IDB.13/Dec.2, paragraph (e).

53. Accordingly, in order to clarify those important issues once and for all, it was suggested that they be discussed clearly and openly under the proposed additional sub-item.

54. **Mr. IKEDA** (Japan), supporting the remarks made by the representative of Ireland on behalf of the European Union, said that it was not appropriate, when determining matters to be included on the agenda of the next session of the Board, to single out one of the many different criteria which should be taken into account in appointing Managing Directors.

55. **Mr. HALIM MOHAMED** (Sudan) said that his delegation supported the view expressed by the representative of Iran that the equitable geographical distribution of Managing Directors was essential and could see no objection to treating that subject in isolation as an agenda item if it was a matter of concern to some delegations. However, since only one such appointment was due to be made during the period between the present session of the Board and its next session and since the Director-General had already indicated that he was contemplating filling that post with an African incumbent, he suggested that, for the sake of consensus, an agreement might be reached to withdraw the sub-item from the agenda for the next session of the Board with a view to its possible inclusion at a subsequent session.

56. **Mr. AHMADI** (Islamic Republic of Iran) said that, for the sake of consensus, his delegation could agree to examining the issue at an appropriate time in the future subsequent to the next session of the Board.

57. **The PRESIDENT** invited the Board to adopt the draft decision on the provisional agenda and date for the seventeenth session (IDB.16/L.18) with the deletion of the bracketed sub-item (c) of agenda item 17.

58. *It was so decided.*

ADOPTION OF THE REPORT (IDB.16/L.1)

59. The **PRESIDENT** reminded delegates, in connection with the decision just taken regarding the date of the next session of the Board, about the procedure for appointment of the Director-General for the next term of that office. In accordance with the UNIDO Constitution, the General Conference would, at its seventh regular session, appoint a Director-General for a period of four years upon the Board's recommendation. Under rule 61 of the Rules of Procedure of the Board, a candidate for the post of Director-General should be nominated in writing by his or her Government to the President of the Board. Also under rule 61, all nominations of candidates should be received by the President at the latest two months prior to the opening date of the next session of the Board. Since the dates of the next Board had now been fixed as 23 to 27 June 1997, the deadline for receipt of nominations would accordingly fall on 23 April 1997. Upon receiving the nominations, he would request the Secretariat to circulate the respective candidatures without delay.

60. **Mr. SÖLENDIL** (Turkey), Rapporteur, introducing the draft report of the Board on its sixteenth session (IDB.16/L.1), said that, owing to time constraints, the report contained many blank spaces. The final report would, however, duly reflect the decisions adopted.

61. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the close of the session.

62. *It was so decided.*

CLOSURE OF THE SESSION

A. Membership in UNIDO

63. **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77 and China, said that the Group of 77 and China had taken note with concern of the recent statement made to the media by Mr. Carl-Dieter Spranger, German Minister for Economic Cooperation and Development, that the Government of Germany was considering the possibility of withdrawal from membership of UNIDO. The Group expressed regret over the report and recalled that Germany had been one of the countries in the forefront of multilateral development cooperation and an important partner in the efforts of developing countries to achieve sustained socio-economic growth.

64. The Group reiterated its position that industrial development was a key component of any strategy for development, and recognized UNIDO as the specialized agency in the United Nations system in the field of industrialization, as had been repeatedly affirmed by the Group of 77 and China along with other delegations in various high-level forums.

65. The Group recognized the valuable role Germany had been playing in industrial development of developing countries and appealed for its continued partnership, particularly at a time when UNIDO had launched new major initiatives.

66. The Group believed that any consideration of withdrawal by a Member State such as Germany could result in a serious setback to the industrialization of developing countries and could have adverse consequences for the entire industrial development effort in the framework of multilateral development cooperation. It would also be inconsistent with the increasingly important role that Germany wished to play in the United Nations system.

67. The Group appealed to the Government of Germany to remain an active member of UNIDO and to continue its support to the industrial development of developing countries through UNIDO.

68. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that the members of the Group wished to associate themselves with the sentiments just expressed.

69. **Mr. CURIA** (Argentina), speaking on behalf of the Latin American and Caribbean Group, supported the sentiments expressed.

70. **Mr. IKEDA** (Japan) said that his delegation shared the concerns expressed. UNIDO had undertaken a wide-ranging reform effort and he called upon Germany to work with UNIDO. The reform and refocusing of UNIDO were crucial and UNIDO had developed a clear identity. His delegation urged the Secretariat and other delegations to work together to achieve reform and ensure the effective use of contributions.

71. **Mr. LI Changhe** (China), speaking on behalf of the Asian Group, supported the views expressed by the representative of Pakistan on behalf of the Group of 77 and China. His delegation, along with many others, thought it important for Germany not to withdraw from the Organization. It would not be in line with the

position adopted by Germany to date and it would disappoint the developing countries, and possibly be a fatal blow to UNIDO.

72. **Ms. OK** (Turkey) said that her delegation shared the concern expressed. UNIDO was a forum for dialogue between the developed and developing countries and, if change was needed, then all Member States should discuss it.

73. **The PRESIDENT** read out the following statement:

> "I have noted with great concern the recent press statement emanating from a member of the Government of the Federal Republic of Germany suggesting that Germany might withdraw from UNIDO. The Federal Republic of Germany is one of the major contributors and has indeed been showing great commitment to its programmes and activities.
>
> "The news of such a possibility has aroused a vivid concern among UNIDO Member States and they hope that Germany will continue to play an active role in UNIDO which serves as a specialized agency in the United Nations system mandated to promote multilateral industrial development cooperation.
>
> "I therefore wish to appeal to the Government of the Federal Republic of Germany to continue to play this role."

B. Retirement of a UNIDO Managing Director

74. **The PRESIDENT** said that Ms. Tcheknavorian-Asenbauer, Managing Director, Industrial Sectors and Environment Division, who had been with UNIDO since its early days, would be retiring soon. He thanked her for her dedication and leadership and wished her and her family all the best in the years to come.

75. **Mr. DE MARIA Y CAMPOS** (Director-General) paid tribute to the long and distinguished service of Ms. Tcheknavorian-Asenbauer, who had joined UNIDO in 1970. She had been made Chief of the Pharmaceuticals Unit in 1978, and had gone on to become Head of the Chemical Industries Branch. In 1987 she had taken over the Industrial Operations Technology Division, and in 1994 had become Managing Director of the Industrial Sectors and Environment Division. Her time at UNIDO had been marked by her professionalism, hard work, idealism and dedication to the good of the Organization. He thanked her for her years of service and wished to honour her as the first UNIDO staff member to receive the new medal commemorating thirty years of UNIDO.

76. **Mr. AHMADI** (Islamic Republic of Iran) congratulated Ms. Tcheknavorian-Asenbauer on her achievements and presented her with a letter of recognition from the Ministry of Industry for her dedicated contribution to the Organization and to the developing countries.

77. **Mr. LI Changhe** (China), speaking on behalf of the Asian Group, **Mr. YENNIMATAS** (Greece), **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, **Mr. WORONJIECKI** (Poland), speaking on behalf of the Eastern European Group, **Mr. PUIG PINO** (Cuba), **Mr. CURIA** (Argentina), speaking on behalf of the Latin American and Caribbean Group, **Mr. PUTHO** (Observer for Thailand), **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria), **Mr. DE YTURRIAGA BARBERAN** (Spain), **Mr. FULLAM** (Observer for Ireland), speaking on behalf of the European Union, **Mr. VIERITA** (Romania), **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77, and **Mr. IKEDA** (Japan) commended Ms. Tcheknavorian-Asenbauer on her leadership and dedication, and on the impact of her work on the overall performance of UNIDO, especially with regard to programmes concerning the environment and the Montreal Protocol.

78. **Ms. TCHEKNAVORIAN-ASENBAUER** (Managing Director, Industrial Sectors and Environment Division) said that, after her twenty-six years of service to UNIDO, the Organization had become a place which she loved and treasured. She felt that she had had a rich career in UNIDO and had achieved all that was possible under the circumstances. She expressed her gratitude to Member States, which she regarded as the highest authority, to the Director-General, the executive directors and her colleagues for their indulgence and tolerance, and for having accepted her as a woman manager in an environment dominated by men. She stressed that she had dedicated her time to the United Nations Charter, which she had always regarded as the main driving force and guiding principle. Serving humanity should remain the ultimate target of the Organization, a goal from which she had derived great enrichment during her tenure with UNIDO. If she took anything with her, it was respect for people, their problems and destinies. Serving people was the ideal that should motivate the United Nations in all its endeavours.

79. Replying to the Representative of Austria, she explained that her developing country background had been enriched by her higher education in Austria at the

Technical University of Vienna, for which she wished to thank the Austrian Government and people and also her many friends. However, she had continued to represent the developing countries during her entire tenure with UNIDO. She wished to convey her profound acknowledgement to all delegations for their support of her Division's programmes. She stressed that the Organization had an important mandate to fulfil, i.e. the industrialization of developing countries. While the situation in some countries of Asia and Latin America had improved, Africa was still in need of UNIDO's strong support in the industrialization process. She hoped that all Member States would support UNIDO in the next thirty years. She once again expressed her gratitude to Member States and to the Director-General, and presented her booklet "My life with UNIDO" as a small gift.

C. Closing statements

80. **Mr. DE MARIA Y CAMPOS** (Director-General) said that during the session there had been an unequivocal and forceful recognition of the reform achievement of UNIDO. He had taken careful note of the wish expressed that the reform process should be seen as a permanent component of the Organization's activities in the future, with further focusing on areas of comparative advantage within the seven thematic priorities. While he believed that the main agenda of the reform process had been accomplished, he assured the Board that the spirit of reform would prevail.

81. He welcomed the positive comments and suggestions concerning the new format of the Annual Report, the proposals for the reorientation of the field representation programme, the revised medium-term programme framework and the programme for the least developed countries. He had been particularly gratified by the unanimous support expressed for the Alliance for Africa's Industrialization and would continue to develop the programme in close consultation with member countries in order to fulfil the goals and objectives of the Second IDDA. The support expressed for the investment promotion programme confirmed that UNIDO was on the right track in that area. He had been gratified by additional pledges to the Industrial Development Fund announced by various countries and thanked them for their support.

82. Turning to the financial situation of UNIDO and the preparations for the programme and budgets, 1998-1999, he said that it would be extremely difficult to maintain a budgetary ceiling of less than zero real growth without sacrificing substantive programmes. He would prepare his proposals in accordance with the established practice of budgetary recosting in respect of inflation but would also take into account the Board's requirements as well as external developments in order to ensure that the budget proposals were realistic.

83. The session was leaving UNIDO with contradictory signals. There had been clear messages of support from the various groups of countries, and UNIDO's new initiatives were recognized as going in the right direction. The Organization's prioritization and reform drive had also been acknowledged and the immense majority of Board members had renewed their commitment to UNIDO. The support of the Member States of UNIDO and the devoted work of the staff, who had shown a great capacity to adapt in the most difficult period of the Organization's thirty-year history, had made UNIDO's achievements possible. However, the signs of hope had been clouded by the recent press statement by the German Minister for Economic Cooperation and Development. That statement ran counter to everything that had been heard recently from the German Government and the strong support received from all Member States on the completion of the reform programme. It was astonishing to hear such an announcement on the same day that the European Union had issued a statement acknowledging that UNIDO had successfully completed its organizational reform and urging the Organization to move ahead and concentrate on its core mission. Should the Minister's recommendation become German policy, it would be a very sad day for the many developing countries and economies in transition which relied on UNIDO's support and advice in their efforts to achieve sustainable industrial development. He strongly urged Germany not to desert those who needed its support so much.

84. However, despite the news, he remained optimistic and expressed his appreciation for the support given by the Group of 77, Austria and many other Member States. He hoped that Member States would continue to defend the Organization and, as its Director-General, he remained committed to enhancing the Organization's work and strengthening UNIDO to enable it to achieve its objectives.

85. **The PRESIDENT** expressed his thanks to all who had contributed to the success of the session. The sixteenth session would be remembered as the one held during the week following the thirtieth anniversary of the Organization, and despite the tight schedule many substantive issues had been dealt with. The Board had reaffirmed its support for the continued reform of UNIDO. He hoped that the Secretariat would be able to prepare the programme and budget proposals for the 1998-1999 biennium taking into account the deliberations of the session. The need to strengthen the programme for African industrialization had also been emphasized, the new approach to field representation had been welcomed and the importance of strengthening

investment promotion had been stressed. The session's work would contribute to the success of the forthcoming General Conference session. However, Member States should also participate actively in the inter-sessional consultations on issues such as the timely payment of assessed contributions and the amendment of the financial regulations.

86. He declared the sixteenth session of the Industrial Development Board closed.

The meeting rose at 7 p.m.